

A Study on the Corporate Culture of Tongrentang

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Abstract

The importance of corporate culture for its development has always been a classic research. Through excellent corporate culture, we can analyze the secrets of company success and provide important reference significance for other company brands. Since the outbreak of COVID-19, Traditional Chinese Medicine (TCM) has greatly increased its international recognition with its excellent efficacy, which has brought development opportunities to the TCM industry. The object of this research is the Beijing Tongrentang Group Co., Ltd. Tongrentang is a representative of Chinese time-honored brands in TCM industry. It has a development history of more than 350 years. It carries the traditional Chinese culture and Chinese medicine culture. The corporate culture of Tongrentang was thus extended and developed into 'Benevolence & love', 'Honesty & trustworthiness' and 'Quality first'. We can see that a good corporate culture is particularly important. This paper studies the unique Corporate culture of Tongrentang, and the reasons of company success. Hoping to help the company through this paper, so as to improve the company in the future. And put forward a certain practical significance and value.

Keywords: Time-honored Brand, Beijing Tongrentang Company, Development strategy, Traditional Chinese Medicine (TCM), Corporation culture

1. INTRODUCTION

In China, there is a saying that western medicine treats the symptoms, and Traditional Chinese Medicine (TCM) causes the root causes. It values the human body itself, pays attention to regulating the body, enhances the human body itself immunity, thus reduces the possibility of disease. With the change of medical mode and the renewal of health concepts, the development of TCM industry has attracted increasing around the world, and it has also become a hot spot for investment. In January 2019, North Korea's top leader Kim Jong-Un also visited Tongrentang's pharmaceutical factory in Beijing during his visit to China. Later, due to the outbreak of COVID-19, the degree of traditional Chinese medicine recognized by the international market has increased significantly again with its excellent efficacy.

With the intensification of market competition, China's TCM industry has entered the stage of standardization and brand competition. TCM will make prescriptions according to different people's constitution, through conditioning the body to enhance physical fitness to achieve the effect of eliminating pain. TCM itself also

Manuscript received: February 2, 2022 / revised: March 1, 2022 / accepted: March 8, 2022

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carries many traditional Chinese culture. Practice has proved that it is very effective to carry forward the advantages of Chinese culture and promote the brand construction of TCM companys through cultural communication. Tongrentang actively uses traditional culture as a beneficial tool in brand building. Combined with the traditional virtues of honest management and benevolence and righteousness, created great value for the company.

'China Time-honored Brand' is a specific concept. This is a title and symbol granted by China according to the conditions after the established companys in Chinese mainland area have met certain conditions. This research focuses on the time-honored brands in the TCM industry. More and more literature research has focused on the development of the TCM industry and brand building. Through literature review, we found very little research on Beijing Tongrentang company Corporate culture. Only very little literature is an analysis of Tongrentang's brand design or company competitiveness. Therefore, this paper analyzes its corporate culture, and explore the successful reasons of Tongrentang.

2. AN INTRODUCTION TO BEIJING TONGRENTANG COMPANY

2.1 Tongrentang's history

In 1669, the Kangxi reign (Qing dynasty), Yue Xianyang founded Tongrentang Chinese Medicine Shop in Beijing, marking the foundation of Tongrentang brand. He believed that “among things which can preserve peoples' health and to do good to society, medicine is the best” and named the pharmacy as “Tongren (cultivate both noble morality and benevolence)”, meaning “equal and elegant”. In 1702, Yue Fengming established Tongrentang Chinese Medicine Pharmacy at Dashilan Street, Qianmen avenue in Beijing. It served eight Qing emperors for 188 years since it was designated to provide traditional medicine to the imperial family in 1723.

The founding of the People's Republic of China in 1949 gave a new life to weather-beaten Tongrentang. In 1992, Beijing Tongrentang Group Co., Ltd was established, and became a wholly state-owned company in 2001. It has gradually established a modern company system. In 1997, the subsidiary Beijing Tongrentang Co., Ltd. was listed in Shanghai Stock Exchange, while Beijing Tongrentang Technology Development Co., Ltd. were listed in Hong Kong Stock Exchange in 2000. Beijing Tongrentang Chinese Medicine Co., Ltd. were listed in Hong Kong Stock Exchange in 2013. These listings strengthened the overall competitiveness of Beijing Tongrentang Company.

In 2019, the group invited the third-party company to provide strategic consultancy services and map out the development strategy in the new era, taking the group onto a journey of high-quality growth.

2.2 Glorious achievements

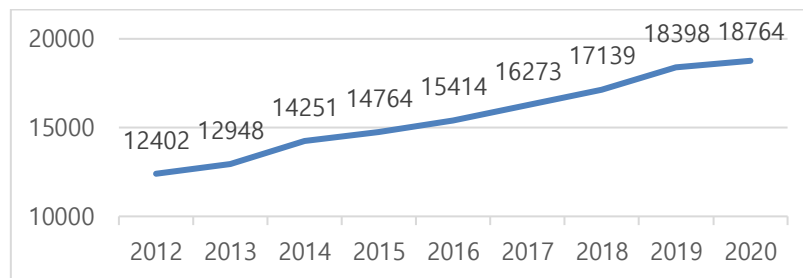
Specializing in TCM and therapy, Tongrentang focuses on TCM production as its core pillar, supplemented by four other pillars of health and wellness, senior medical care, commerce and retail, and international business-shaping a health industry chain that covers herb growing, TCM production, sales, medical services, healthcare, and R&D.

With the establishment of its Hong Kong manufacturing base as a milestone, Tongrentang started from Beijing, expands in China and becomes international. It now has business or services in 28 countries and regions in 5 continents, helping internationalize TCM. Tongrentang has seven sub-companys, two institutes, many subsidiaries, and more than 2400 retail points and medical organizations. It has 36 production bases and over 100 modern production lines that can produce more than 2600 medicines and healthcare food in six categories and 20 types. Many of its TCM are household names, such as Cow-Bezoar Sedative Bolus(同仁牛黄清心丸) and White Phoenix Bolus of Black-Bone Chicken(同仁乌鸡白凤丸). In terms of R&D, the company has established a complete system that includes a national engineering center and a post-doctoral

research station. Tongrentang is dedicated to innovating techniques to help address challenges facing the industry and improve the automation of TCM production. Since 2016, Tongrentang has developed 265 new products, won the "China Trademark Gold Prize" and many other awards and honorary titles.

2.3 Existing Problems

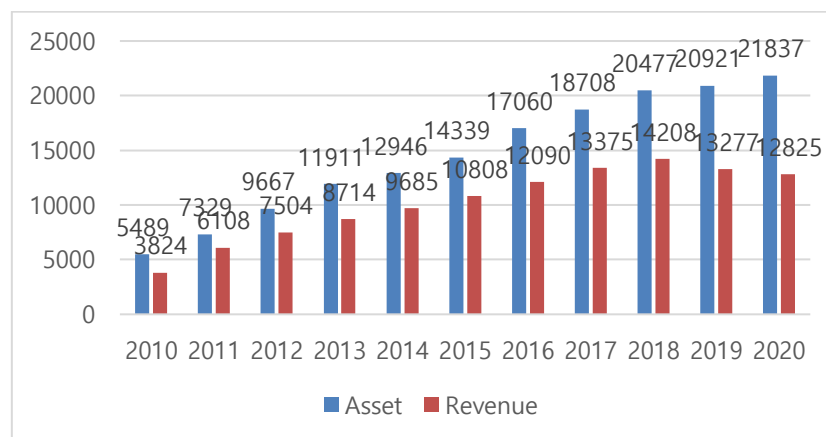
On the whole, as a representative company of century-old brands, Beijing Tongrentang's business condition is very good. According to the number of employees announced by Tongrentang, the total number of working employees of the parent company and major subsidiaries is increasing, indicating that the scale of Tongrentang's companies are rising steadily.



Source: Annual report of Tongrentang company

Figure 1. Total number of employees

As can also be seen from total assets and operating income, Tongrentang's operating condition is good, with two important indicators rising each year. During the decade, both Tongrentang's total assets and operating income have roughly tripled. But Tongrentang also has a little trouble. In 2019, an "expired honey incident" occurred. Tongrentang's subsidiaries violated the Food Safety Law, recycling expired honey and changing packaging labels to re-sell. Although the Tongrentang quickly solved the trouble with no particularly serious adverse consequences, and with a strong strength, to maintain the growth of the company's assets. But the scandal led to slowing down Tongrentang's capital accumulation. For the first time in many years, profits fell negative with many fines paid. Meanwhile, COVID-19 outbreaks erupted in 2020. China has adopted a model of fighting the epidemic in order to reduce the spread of the epidemic by the flow of people. Many stores are not allowed to open the door, and production had stalled. In this case, Tongrentang's operating revenue is still negative compared with the previous year.



Source: Annual report of Tongrentang company

Unit: RMB million

Figure 2. Total assets and revenue of Beijing Tongrentang

According to the first half of 2021, Tongrentang's operating revenue is already positive. This is attributed to Tongrentang's contribution to the COVID-19. The Tongrentang has donated drugs and anti-epidemic supplies to multiple regions, teach people about epidemic prevention through the Internet, performing social responsibility, restore the brand image. On the whole, the competitiveness of Tongrentang company is an industry-leading one in China's TCM market. This is also thanks to Tongrentang's excellent Corporate culture. Another positive growth of the indicators of Tongrentang is around the corner.

3. CORPORATE CULTURE OF TONGRENTANG

After a long time of development, the TCM industry and the TCM companys have had profound cultural deposits. TCM culture is the soul of the TCM company and the core of the company development. A TCM company with a long traditional Chinese medicine culture, itself has a unique cultural charm. Only by inheriting the TCM culture, and innovating in the persistence and inheritance, can it achieve greater development in the pharmaceutical industry.

The existence value of time-honored companys lies not only in the economic value created, but also in the cultural contribution made by time-honored companys and the unique cultural value of time-honored companys. Cultural tradition is the foundation of time-honored brands, and plays an extremely important role in the development process of time-honored brands[1]. The most important secret of these time-honored brands after a hundred years is to "Earn what you should earn, and do what you are not guilty of". The Chinese companys, especially the time-honored brands, and their values will be influenced by the traditional Chinese culture in the long development process. The TCM industry is even more deeply influenced by the Confucian culture. The core value of Chinese Confucian culture is "benevolence, righteousness, righteousness, etiquette, wisdom and reputation". If Chinese TCM companys want to have international competitiveness, they must inherit the core value of Confucian culture in traditional Chinese culture, establish an social responsibility mechanism to innovate the international brand of TCM companys[2].

As one of the first China Time-honored Brands, Beijing Tongrentang goes along a growth path that coordinates both business growth and cultural development. As a state-owned company, the group fulfills all its political, economic, social and cultural responsibilities. It plays a unique role in advancing the TCM industry and carrying on the TCM culture. Under the background of traditional Chinese culture, Tongrentang has also formed its own unique value system and Corporate culture. The corporate mission of Tongrentang is to promote the Chinese medicine culture, lead the "green medicine" trend, and improve the quality of human life and life. Quinn and Cameron divided corporate culture into four types through the two dimensions of "flexibility-stability" and "internal orientation-external orientation". Tongrentang's corporate culture as a whole belongs to the "high flexibility and internal focus" clan corporate culture, which emphasizes organizational cohesion and team cooperation. The core of its specific corporate culture is as follows:

3.1 Benevolence and love

When "interests" and "righteousness" conflict, Tongrentang chooses to put "righteousness" first. This is also the ancient motto that Tongrentang has been adhering to for more than 350 years. The word "Tongren" is derived from the book of *«Yi Jing»*. It means no matter how close you are, no matter how far you are. "Tongren" is the original intention of Tongrentang establishment, but also the original intention of all Tongrentang people to stick to it. The founder, Le Xianyang resigned from his official position, holding the belief and determination that "We would rather do good doctors to help the world maintain health, rather than do corrupt officials to harm the people", founded the Tongrentang Pharmacy. It means that no matter rich or poor, with the benevolence of doctors, so that the people in the world can achieve the best treatment. Medical skill is about life and death, and medical ethics determines success or failure. During the reign of Emperor

Tongzhi of the Qing Dynasty, a scholar wrote a couplet to Le Mengfan, the head of the 11th generation of Tongrentang, "We wish there were no illnesses in the world, even though the drug shelves were covered with dust". Highly praised Tongrentang's great love and boundless noble medical ethics and feelings.

In the book *«The Catalogue of Tongrentang Medicine»* written by Yue Fengming, it reflects the spirit of Tongrentang and its social responsibility. From a small pharmacy in Qing Dynasty, the current TCM Group is now famous at home and abroad, Tongrentang is not only exquisite skills, but also sticks to its value. Today, Tongrentang also adheres to the motto that "Though the processing of medicines was complicated, we must not save labors; though the medicinal materials were expensive, we must not reduce any of them."

3.2 Honesty and trustworthiness

The gold signboard of Tongrentang is the condensation of faith. From the early days of its establishment, Tongrentang sent porridge in winter, sent heat medicine in summer and run public welfare schools to help the poor people. Now Tongrentang company has always been actively participating in social public welfare undertakings, selfless love to the society, improve the social responsibility of the company. When the motherland is in difficulties, they fulfill their mission: Hepatitis A epidemic in 1988, the SARS outbreak in 2003, the 2008 Wenchuan Earthquake, the COVID-19 outbreak in 2020, Tongrentang donated clothes and delivered medicine. After 353 years, Tongrentang has always fulfilled its promise.

Company operators of all dynasties, always to "health", "help the world" as the appointed, abide by the integrity and dedication, to seek medical advice from all directions. Whether the dignitaries, or ordinary people, all treat each other with sincerity, always adhere to the young and the old, equally. In the competitive environment of market economy, Tongrentang always believes that "honesty and trustworthiness" is the most basic ethics requirement for company, and speaking credibility is the most fundamental criterion for business.

3.3 Quality first

At first, Tongrentang gave medicine to the imperial palace, and the people who used medicine were all dignitaries, or even the emperor himself. Under the pressure of imperial power, there should be no slightest mistake in terms of drug quality. In the past 188 years, when the imperial medicine was dedicated, Tongrentang adopted the highest standard and the most advanced court pharmaceutical technology, taking wealth and life as a guarantee to ensure the quality of drugs. The pharmaceutical process strictly followed the formula, selected authentic medicinal materials, and never cut corners and was shoddy, which also laid a deep foundation for Tongrentang's culture of integrity.

Each Tongrentang staff adheres to the four pharmaceutical characteristics of "unique prescription, high-quality raw materials, great techniques and outstanding therapeutic effects", and has produced many Chinese patent medicines with remarkable curative effect. As a famous time-honored brand in the Chinese TCM industry, Tongrentang on the basis of integrating into the palace pharmaceutical norms, after more than 300 years of practice and innovation, adhering to the corporate spirit of "Cultivate both noble morality and benevolence to do good to society and to keep people healthy", the cultural concept of being highly responsible for drug quality has permeated into various work.

3.4 Inheritance of TCM traditional culture

The Chinese medicine culture of Tongrentang integrates the essence of TCM with the medicine standards for Chinese imperial family. Through three hundred years of inheritance and innovation, Tongrentang combines Chinese medical practices and medicines, tradition and modernity as well as domestic and overseas development, forming a unique integration of traditional techniques, preparation methods, cultures of

benevolence and quality, business philosophy, brand image and team spirit. Tongrentang started its business with the belief to "promote people's health with noble morality and kindness". "Serving the people's health soul and heart" is Tongrentang's motto.

Tongrentang carries on craftsmanship from generation to generation. The company has three national intangible heritage programs Tongrentang TCM culture, traditional technique of TCM preparation, and preparation technique of Cow-bezoar Bolus for Resurrection. The company also has a number of other intangible heritage programs at municipal and district levels, 37 heirs of intangible heritage at national, municipal and district levels, 14 Tongrentang master TCM therapists, 8 TCM masters and 20 heirs of special techniques. "Cultivate both noble morality and benevolence to do good to society and to keep people healthy" is a new summary of Tongrentang's original desire, mission and spirit as a TCM company, showing the ideal and pursuit that Tongrentang people are committed to serving human and preserving their health, and also regard this as their own duties.

4. CONCLUSION

China attaches great importance to the development of the TCM industry and the support of TCM companies. The TCM Law of the People's Republic of China was passed in 2016, It clearly points out that the traditional knowledge, databases, catalogues and other relevant materials with important academic value should be protected. In 2016, China also promulgated 《the Outline of the Strategic Plan of TCM Development (2016-2030) 》. The content emphasizes the need to protect and the policy to support the century-old TCM companies. The content emphasizes the need to protect and the policy to support the century-old TCM companies. Since the outbreak of COVID-19, TCM has greatly increased its international recognition with its excellent efficacy, which has brought development opportunities to the TCM industry. Tongrentang has assumed social responsibility in the epidemic, donating drugs and epidemic prevention materials to many severely affected countries, and teaching epidemic prevention knowledge. In the current epidemic period of declining global economic situation, Tongrentang maintained the corporate assets and operating income.

This is attributed to its excellent Corporate culture. Among them, the spirit of "benevolence & love" makes Tongrentang lend a helping hand when people encounter difficulties. Really treat everyone equally. Tongrentang hopes that people will pay attention to their physical health and thus develop health care undertakings. "Honesty & trustworthiness" and "Quality first" are another key points in Tongrentang's Corporate culture. It aims to build a world-class TCM health care group under the vision of serving people's health around the world. Leveraging all the opportunities facing the TCM industry, always retaining the original intention, the bravery undertaking the mission, the determination to keep moving forward, getting the high quality development achievement, Tongrentang is committed to its mission of "serving people's health and revitalizing the TCM" to achieve high-quality growth in the new era.

From culture to company, from company to brand, this model is very suitable for the brand communication and development of TCM companies. Tongrentang has explored the great commercial value from the culture. And will further give full play to this cultural value into the brand communication. With their rich cultural heritage and personalized brand symbols, Chinese time-honored brands fully have the conditions and potential to build a global brand. It can be said that every time-honored brand is a legendary historical story, or every time-honored brand has a ups and downs of entrepreneurial history.

As a representative enterprise of TCM, there is very little research on the corporate culture of Tongrentang. This study fills the gap in this area and makes a certain contribution to the theory of corporate culture. At the same time, detailed analysis of Tongrentang's corporate culture, in practice is also meaningful and contribution. Chinese time-honored brands should fully learn from the successful experience and model of Tongrentang, actively seek the connection point between national brands and other countries around the world. Strengthen the brand identity of overseas consumers through positive cultural export, so as to occupy the international

market. This is a very important reference significance for brands in other companies or industries. In the future, we will conduct in-depth research on the enterprise competitiveness and strategic choice of Tongrentang based on its corporate culture.

ACKNOWLEDGEMENT

This work was supported by the Gachon University research fund of 2021.(GCU- 202104230001)

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