

# A Study of the Application of Information Technology in Corporate Governance of Li Ning Co., Ltd

Ping Sun

Physical Education Institute  
Hebei United University  
Tangshan, China

**Abstract:** Li Ning applies information technology into all aspects of its corporate governance, combing with its actual situation continuously in the process of information development, which greatly improves its corporate governance ability. Enhancement of such ability lays a foundation for the development of information in the company and forms the mutual promotion of the two. In such an era of changing information, when using information technology to strengthen work efficiency, companies can also improve the corporate governance structure, establish a financial information system to enhance the financial supervision ability and provide helps in management strategic decisions. As a result, efficiency of a company's governance mechanism is enhanced, and the performance management is also improved, which all bring benefits to the corporate governance. Thus we need to seize new opportunities of corporate governance reform brought by development of the information technology, and use it to manage the company rationally. When using information technology to improve corporate governance, we should avoid problems of information security, the complexity of risk assessment due to increased information and thoughts of "All Relying on Information Technology" caused by the characteristics of it. In a word, we should use information technology appropriately to strengthen a company's corporate governance effectively.

**Keywords:** Information Technology; Corporate Governance; Li Ning Co., Ltd

## 1. Introduction

Foreign research about corporate governance mainly focuses on the innovation freedom of the CEO and the executive director, and their responsibility to shareholders or related stakeholders. However, domestic research focuses on how to realize a clear property right and separation of corporations and the government, and relationship between the state-owned enterprise and the principal-agent. Thus there is few research or application of information technology to be adopted in the management system in domestic corporations. Whereas, since information technology is highly developed today, computer-assisted office and the application the network system has been widespread in daily management and decision-making of each link in corporations, and the information technology is of great significance in improving studies of the application of corporate governance system<sup>[1]</sup>. Identifying the links between information technology application and corporate governance to use the well-established computer office platform and the network system platform for improvement of corporate governance efficiency is a good try for MBA students to combine theoretical study and practice. As a MBA student

working for Li Ning, the author tries to probe into the combination of information technology application and corporate governance, with the major content of improving the corporate governance efficiency with the information system based on the existing information technology condition. It is hoped that this paper will provide some help in the development of information system in corporate development and corporate governance innovation.

## 2. Improve the Corporate Governance Efficiency by Information Technology

Corporate governance can be divided into two levels: governance structure and governance mechanism. The former focuses on the internal governance of the corporate, which mainly covers the shareholders' meeting, board of directors and the board of supervisors, senior management team and the system of the balance among responsibilities and rights of employees. Obviously, from the point of view of scientific decision, governance structure can't solve all the problems of corporate governance, and we also need to make organic complement through some specific governance mechanism exceeding the structure so as to improve the governance process. The

latter mainly refers to not only various internal monitoring mechanisms, but also the monitoring and constraints from all market mechanisms (such as the securities market, the manager market, the product market, the labor market and the service market, etc.). Such governance mechanism plays a significant role in the supervision of the corporate through the company law, securities law, information disclosure, accounting standards, social audit and social public opinions. The internal governance includes decision-making mechanism, supervision mechanism, the checks and balances mechanism, internal control mechanism and the incentive-restricted mechanism; while exterior governance means the supervision from outside parties, with the goal of preventing managers abusing their rights in performing duties. The middle-level governance mechanism is located between interior governance mechanism and external governance mechanism, including disclosure, auditing and intermediation.

To improve corporate governance, a systematic platform and integrated, operable combination module, suite and software should be established through the combination of information technology and economics, law, management and domestic laws and regulations. In this way, the

governance process will be perfected effectively from the past single models by corporate system, management system and human decision<sup>[2]</sup>. Consequently, corporate will enjoy more widely information sources, more timely information deliver, more scientific information analysis, more accurate information data and clearer information disclosure so as to enhance the efficiency of their governance. Specifically, the corporate should set standards with governance rules and regulations and make information technology as a platform on the basis of true and accurate open information. It then should establish computer assistant management and decision-making system, the financial data analysis and auditing system, the platform for the exchange of information, the information system based on the network, enterprise collaborative work platform having timely inspection, processing and transmitting, the information system that can keep company business secret as well as implementing effective supervision and control and efficient performance management system, etc. It is certain that these systems can't solve all problems, nor can they overcome the decisive effect of corporate system, management system and human decision, but they can be effective support tools to improve corporate governance.

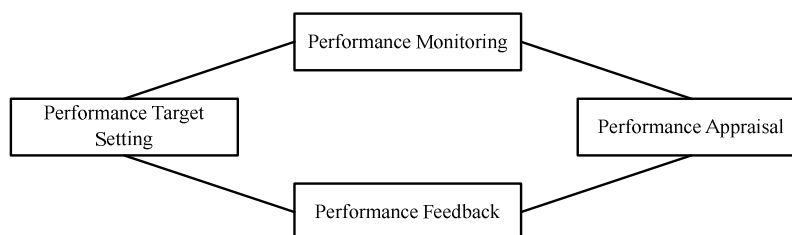


Figure 1. The Performance Management Cycle

### 3. Strengthen the Corporate Governance of Li Ning by Applying Information Technology

#### 3.1. Current Governance Structure of the Company

We will summarize the content of the corporate governance with a chart review and use asterisks to show the influence of wide use of information technology to relevant governance content. In the picture, a star shows that the application of information technology has certain effect in improving corporate governance capability, two stars means an important role, three stars means crucial function and four star refers to a significant role. Through the research of functions of information technology has for the corporate governance system in different contents, a detailed analysis is carried out in accordance with its importance. Then we find out the foothold for information technology application to improve governance abili-

ty, which can guide us for better service of corporate governance.

Since the application of information system in the company's financial management system tends to disclose its management information, the accounting information issued should be transparent, accurate, systemic and fair, which is easy for various supervision and examination. With the highly strengthened financial supervision ability, not only the work efficiency of the finance department of the company is improved, high speed data query and data security has also been achieved. Combined with timely financial information management, assistants eliminate inefficient funds occupation, enhance the efficiency of the enterprise funds using and ensure the company's financial targets. The intelligent decision making function, based on the information system, provides a strong scientific and efficient auxiliary function for the company management. It makes use of data processing advantage among the relational database of the existing information technology, and coordinates the wide application of

computer network and high performance data operation ability to realize a whole process from data collection, data selection and analysis to assistance of governance

decision-making, thus making the corporate governance decision more accurate and scientific.

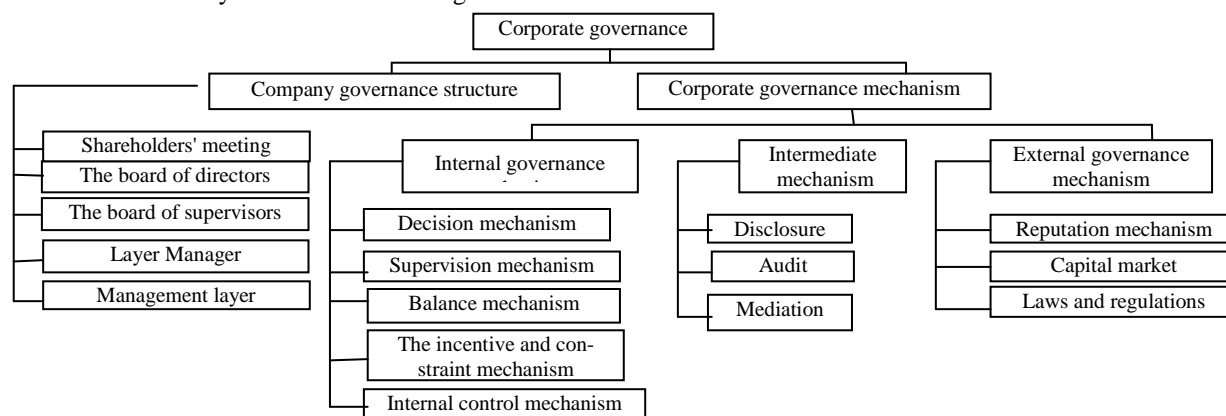


Figure 2. The Application of Information Technology and the Company Governance Relativity Analysis

### 3.2. Optimize the Company's Organizational Structure

Along with development of information technology in Li Ning, this company set up its own primary version of the OA system in 1999. Rapid development of network technology has also promoted great changes to the software technology, providing the foundation guarantee for the application of OA. The company's OA system is characterized as taking the local area network as the basis, the workflow as the center, and providing various basic support and practical functions such as document management, electronic mail, directory services and group synergy, which greatly facilitates employees' work, regulates the organization management and improves the operation efficiency. This version of the OA system includes the company's internal email system, basic information release platform and functions of documents and information sharing. Application of this OA system changes the working pattern, enabling the past manual copy work to be replaced by computer system, reducing the demand of clerical personnel and improving the working efficiency and quality of words information processing, data information processing and archive work. At the same time, since all staff in the company use internal email system to communicate, document flow is through the E-mail, enhancing efficiency and ability of internal communication and decision-making among all departments in the company.

Information collected from the collection center is the information flow composed as  $A+B-C+D$ . However, in artificial transmission, as information loss and deformation happens, information  $A + B + C$  reaches to executives is obviously not the right information. Similarly, decisions like  $X + Y + Z$  are accurate indeed after artificial transmission although, but it will result in meaning-

less effects as decisions themselves are made on the basis of wrong information. Wrong decisions will also affect other decisions and furthermore impact the overall organization.

Flattening organizational structure enlarges the range of participants in corporate governance greatly, which is no longer the original board of executives, but including many functional departments. Such a new organizational structure under the foundation of the information platform based on information technology is more conducive to the development of the company. Along with the popularity of the newly deployed application of the OA system in the company after training, the past information transmission method has been replaced completely. Market information, information of the industry, information technology and other company information flow to the platform, thus information grassroots workers get can be transferred to the company's management team accurately<sup>[3]</sup>. Then the company's management team can also make the right decision through the accurate information, so the company's working efficiency is improved. What's more, through the information platform, the information processing of the company is no longer having any no-filing or incomplete filing as before, but preserved effectively through this platform, providing the foundation for future inquiries.

### 3.3. Assistant Decision-making System of the Company

In the corporate governance decision-making process, the company has found this process rather subjective, and it always happens that personal ability of the chairman of the board plays a decisive role. However, how to make better use of the existing information and fully analyze and explore the content of the information to guide the company management decision is of significance to

avoid the company's decision risk. For such a company with the core business of system integration and service as Li Ning, one important aspect for operation is to seize end users. Only when it really understands the relationship between end users and the company, customer needs and development potential, can it make the correct decision based on this relationship.

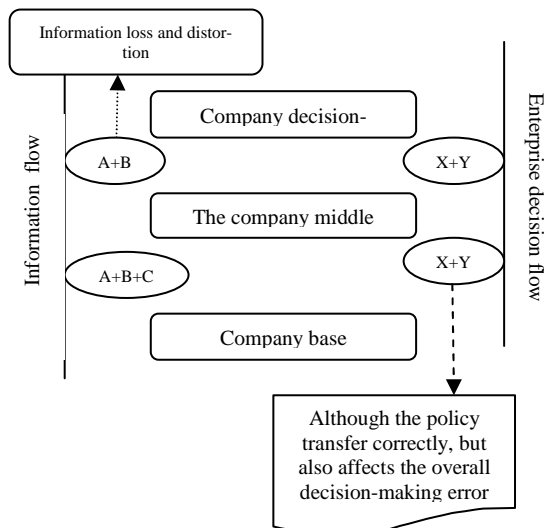


Figure 3. The Enterprise Information and Decision-making

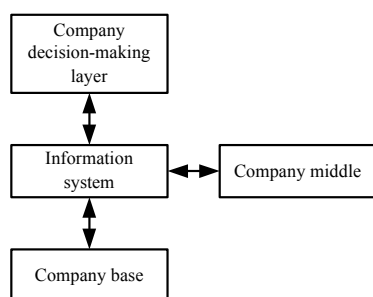


Figure 3. Based on Information Technology to Construct Information System in Company of the Relations

After the implementation of the CRM system, the original management model is changed, attaching the whole sales process and all the sales data to the information system. This makes it possible for the entire process of negotiation, sign, goods deliver and follow-up service in real-time control, the data of each link presented in real-time, thus greatly improving the efficiency. In 2007, the company established the decision support system based on customer relationship management system. Through analysis of data in the large database of the customer relationship management system, it's easy to guide the corporate governance decisions by customer's core concerns preserved by the company. What is shown in the graph is a system model of Li Ning's CRM and aided company management decision. On the design of the

system, the database, knowledge base, method base and the model base of the CRM system are combined, with the use of data processing advantage of the relational database in the existing information technology<sup>[4]</sup>. Together with the wide application of computer network and high performance data operation ability, the whole process of corporate governance decision from data collection, data selection and analysis is achieved.

### 3.4. Improve the Performance Management Mode

Traditional performance management is presided by the company's human resources department. The human resource department provides the evaluation form and marks for employees or worker delegates through regular meeting. After collection, marks of such forms will be calculated in accordance with various rules so as to make performance evaluation based on everyone's assessment score. As the above method is conducted manually, the CT human resources department's workload will shoot up in each evaluation phase. On the other hand, performance evaluation indicators for personnel in different positions of different departments could not be unified as one way to measure, and the company has to establish personalized index to evaluate different personnel. Obviously, establishment of the personalized index will lead to a high cost of both design and operation, not to mention difficulties in uniform standards.

Performance management system of Li Ning is based on its ERP platform. Through this platform, not only the fully automated information processing is realized, cost of dealing with the information is also reduced. In addition, the company's "real time" demand is also achieved, which enable it to observe the operation state of the company at any time to make a governance mechanism suitable for the development of the company, including the employing mechanism, the supervision mechanism and the incentive mechanism. For the company's management team, in each important component of the performance management, namely, strategic statement and communication, analysis, planning, simulation and the daily business intelligence (BI), the performance management system can provide complete information in order to help the company to work out a scientific performance management system and realize good corporate governance.

### 3.5. Information Security of the Company

In the environment of information system, the most valuable wealth of a company is data. To ensure the continuous operation and success of the company's business, it shall protect its information based on the computer. As is known to all, data under the information system environment is stored through the storage medium. Thus security of data under storage is also important for the security of the information system. Along with the enhancement of company's informatization, the amount of

information is constantly expanded, enabling each company to have a large size of database to support the data warehouse, so data loss is a great disaster for information system. The RAID technique can effectively reduce the risk of data loss due to damage of the storage medium. RAID is the abbreviation of "Redundant Array of Independent Disk", meaning in Chinese is redundant array of independent disks.

Account abuse and safety unconsciousness is the biggest man-made threat to information security. Examples are like the spread of the virus due to improper use of mobile storage equipment, company data leakiness caused by random data transfer, hidden security dangers due to un-safe account password and system performance decrease caused by abuse of network resources. Solve such man-made problems can't rely solely on technology and prevention method. We need to build targeted security policy and security technology standards, effective safety monitoring measures and evaluation system of examination to find and monitor safety events effectively, and take proper measures. We should also set up a perfect disaster emergency plan and system to make effective measures for security incidents and establish the effective treatment process and system to security events.

#### 4. Conclusions

Li Ning applies information technology into all aspects of its corporate governance, combing with its actual situation continuously in the process of information development, which greatly improves its corporate governance ability. Enhancement of such ability lays a foundation for the development of information in the company and forms the mutual promotion of the two. In such an era of

changing information, when using information technology to strengthen the work efficiency, companies can also improve the corporate governance structure, establish a financial information system to enhance the financial supervision ability and provide helps in management strategic decisions. As a result, efficiency of a company's governance mechanism is enhanced, and the performance management is also improved, which all bring benefits to the corporate governance. Thus we need to seize new opportunities of corporate governance reform brought by development of the information technology, and use it to manage the company rationally. When using information technology to improve corporate governance, we should avoid problems of information security, the complexity of risk assessment due to increased information and thoughts of "All Relying on Information Technology" caused by the characteristics of it. In a word, we should use information technology appropriately to strengthen a company's corporate governance effectively.

#### References

- [1] X. Qiuxin, L. Piaoliang, "China Sport Information Industry," *Journal of Tianjing Sport University*, vol. 28, Jun. 2011, pp. 22-25.
- [2] W. Xiangfei, "Problems in Sport Information Dissemination of China's Portal Website and Countermeasures," *Journal of Chengdu Sport University*, vol. 34, Jun. 2008, pp. 49-52.
- [3] L. Xianqiang, "Shenyang Province for Sport Information Service," *Journal of Shenyang Sport Institute*, vol. 31, Sep. 2011, pp. 134-141.
- [4] C. Jinghua, "Construction Strategies of Thematic Learning Web," *Journal of Shandong Physical Education Institute*, vol. 27, Mar. 2011, pp. 110-114.

