Research on the Reform of Chinese State-owned Enterprises under the New Situation

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Abstract: Since the reform and opening up, China's state-owned enterprises have experienced 40 years of exploration and made great achievements. However, the enterprise system is still not scientific enough, and there is still a long way to go to conform to the law of market economy. Nowadays, the international situation is constantly changing, and state-owned enterprises are also facing various challenges. How to demand sustainable development in the new situation is imminent. This paper analyzes the current situation and shortcomings of the reform of state-owned enterprises, and puts forward the next stage direction of deepening the reform of state-owned enterprises.

Keywords: New Situation, Reform of State-owned Enterprises, Enterprise System, Double Cycle

1. Background

At present, socialism with Chinese characteristics has entered a new stage, and we are also facing unprecedented changes in a century. The essence of the great change refers to the comparative change of global power, which is based on the institutional transformation, productivity improvement and the enhancement of comprehensive national strength, and is determined by the creative spirit and advanced productivity. China must build more perfect global relations, make full use of global advantages, and more effectively develop global enterprises through global resources.

1.1 Challenges of domestic and international situation

With the transformation of international trade relations, China has gradually formed a new development situation of domestic trade cycle and domestic and international double cycle interaction to ensure stable development. The domestic and foreign circulation is the long-term development direction of China’s private enterprises based on the global. Our company mainly deals with the two problems of domestic and foreign supply promotion and domestic and foreign needs liberation. This requires state-owned enterprises to play a core leading role in optimizing industrial structure, serving national regional strategies, opening up to the outside world at a high level, and expanding overseas markets. At present, there are still obvious defects and shortcomings in ensuring the domestic large circulation, and some key technologies such as 'neck clamping' are prominent. How to deepen the reform of state-owned enterprises and improve their international competitiveness has become an important task for the development of state-owned enterprises under the background of dual circulation[1].

1.2 The significance of deepening the reform of state-owned enterprises

Small and medium-sized enterprises are an important pillar of the national economy and the most important support, including oil and gas, chemistry, electronic products, basic engineering and so on. Enterprise restructuring is the main core part of China’s economic reform, and it is also the basis for promoting China’s long-term stability and maintaining social stability. The report of the Fifth Plenary Session of the 19th Central Committee of the Communist Organization of China pointed out that we should promote the restructuring of state-owned enterprises and make state-owned assets and enterprises better and bigger. Looking back on the history of domestic restructuring in the past, enterprises under the new situation must carry out all-round, multi-dimensional and more in-depth institutional transformation and model innovation, which will have a profound impact on the healthy development of China’s economy and the improvement of international competitiveness under the new situation.
2. Reform Process of State-owned Enterprises

In the course of more than 40 years, the Organization Central Committee has taken a series of measures to explore the reform and development of state-owned enterprises. In the course of more than 40 years, the Organization Central Committee has taken a series of measures to explore the reform and development of state-owned enterprises.

The first stage: 1978~1984, from state-owned to decentralization. Under the planned economy system, the general township enterprises are not any autonomy. However, after the Third Plenary Session of the Eleventh Central Committee, it was proposed that the general industrial and agricultural production enterprises should have strong development autonomy under the unified leadership of the Organization and the whole country. The most important work in this period was to break the highly centralized state-owned and state-run systems. The decentralization and profit transfer as the main means has increased the development autonomy of private enterprises, thus stimulating the initiative of the production and development of general township enterprises[2].

The second stage: 1984~1992, separation of government and enterprise and separation of two powers. After the first stage of reform, enterprises still cannot operate independently and are self-financing. The second stage of the reform involves the separation of government and enterprise functions, so that local government departments have really played a role in the governance of enterprises. Since then, enterprises have gradually clarified the status of legal persons, and the "separation of two rights" has become the most important way of enterprise restructuring. At the same time, they have begun to try different types of reforms system, leasing system, shareholding system, and enterprise management responsibility system.

The third stage: from 1992~2002, establish a modern enterprise system. This process focuses on the transformation of small and medium-sized enterprise management institutions from the micro level, the implementation of reasonable corporate system and shareholding system transformation, the formation of modern small and medium-sized enterprise system in line with market characteristics, clear ownership, and clear responsibility, separation of government and enterprise, scientific management.

The fourth stage: from 2002 to now, comprehensively deepen the scientific reform of state-owned enterprises and state-owned assets management system. The report of the 16th National Congress of the Communist Organization of China clearly put forward the idea of "state-owned, classified implementation of investor responsibilities" for the reform of state-owned enterprises. The key task of this period is to improve the scale management system of fixed assets in China, promote the restructuring of state-owned enterprises, and establish and improve the system of state-owned assets governance and supervision.

3. Current Situation and Shortcomings

3.1 Achievements

Since the reform and opening up, China has issued a series of laws and regulations to promote the reform of state-owned enterprises, and has made great achievements in the following three aspects:

First, the exploration of modern enterprise system with Chinese characteristics is accelerated, and the effect of state-owned assets supervision system is better. In terms of legislation and system, the functional boundaries between government departments and companies have been gradually clarified. At the same time, with the organic integration of organization leadership and enterprise management, state-owned enterprises have fully completed the "organization building into the chapter" and the state-owned assets supervision system has become more sound and effective. Second, it promoted the continuous optimization and reconstruction of the national economic structure and achieved important results. The pattern of state-owned economy is mainly concentrated in the fields of national strategic security, leading industry guidance, national economy and people’s livelihood, social public service and so on. However, the Chinese government has always vigorously promoted the reorganization and integration of state-owned enterprises, carried out strategic restructuring and professional integration, and achieved great results. Third, outstanding progress has been made in enhancing the quality and efficiency of state-owned enterprises. The central company has actively explored and implemented the tenure system and contractual system for the members of the executive level of quality education, promoted and implemented new market-oriented employment methods such as open recruitment, competitive employment and incompetent retirement, and studied and improved the distribution mechanism of determining wages...
according to the proportion of corporate performance contributions[3].

3.2 Shortcomings

Despite the continuous development and reform of state-owned enterprises in China, and great achievements have been made, some problems are still very prominent. Mainly reflected in the following aspects:

(1) The overall industrial layout of the enterprise is not excellent. State-owned enterprises are distributed in various fields. However, there are many contradictions in the coordination of various industries in state-owned enterprises. They do not adjust measures to local conditions, foster strengths and circumvent weaknesses, and make reasonable arrangements. The chaotic industrial layout leads to low resource utilization among state-owned enterprises. State-owned enterprises in key areas related to people’s livelihood cannot make better use of national policies and their own advantages to protect people’s needs. Therefore, the industrial layout needs to be readjusted urgently. In the new stage, state-owned capital should focus on investment in infrastructure, public services and strategic emerging industries. In the new era, it is necessary to improve the efficiency of state-owned resource allocation in order to continuously promote the structural adjustment of state-owned economic layout and promote the healthy development of state-owned enterprises.

(2) The degree of marketization of agricultural society is generally not high. Due to the particularity of China’s social system, most agricultural enterprises are state-owned. At present, due to the role of government macro-control in China is still quite large, and most of the state-owned enterprises also have the nature of government monopoly, the degree of social marketization of state-owned enterprises is low, and the agricultural industry related to people’s livelihood is more severe. Promoting marketization is the goal of enterprise activation and the economic source of enterprises. Therefore, in order to obtain a stable and sustainable source of economic income, it is necessary to further improve the marketization level of state-owned enterprises, which must accurately define the functions of various state-owned enterprises, and strengthen the social marketization construction and reform of enterprises, so that state-owned enterprises pay more attention to complying with the new trend of enterprise development and development, so as to improve their competitiveness.

(3) The professional team is not strong, the salary management system is not perfect. The main productivity of enterprises is all kinds of talents, often high-quality professional talents will have a positive effect on enterprises, which is why enterprises try to set the threshold to select talents. However, at this stage, some employees of state-owned enterprises are not directly recruited from the labor market, but directly selected from the government and ‘other ways’. Due to the lack of professional ability and innovation ability of these personnel, the current professional talent team of state-owned enterprises is not strong. In addition, China’s wage system is not perfect, the salary and welfare management system of state-owned enterprises is not perfect, and it is still in the stage of continuous exploration and improvement. Therefore, the salary of some enterprises is not linked to their performance. Paying attention to the problems of talents and salary is the task under the background of the new situation, which will affect the productivity of enterprises.

(4) Has a serious organization style clean government construction project and bribery. IAt present, there are a variety of superior-subordinate relationships and nepotism in society, and state-owned enterprises are no exception. Under the shadow of these relationships, it is inevitable to have various ‘flattering’ means to obtain ‘shortcuts’. In some enterprises, there are still some cases in which senior leaders use their own power to seek money for themselves and others. There are also cases in which internal leaders or senior leaders use their own ‘privileges’ to place their direct relatives within the enterprise, and there is a kind of ‘nepotism’. In addition, some enterprises have various acts of favoring subordinate employees to bribe superior leaders. These behaviors are bad behaviors for themselves or others, which not only disturb the healthy order of enterprises and social markets, but also damage the national interests and push the enterprise system to the tuyere of disputes. This requires that in the deepening reform of state-owned enterprises in the new era, we must adhere to the strict administration of the organization in an all-round way, strengthen the construction of a clean and honest government, strictly control violations by means of various regulatory reports, purify the market, create a healthy and orderly social atmosphere, and return state-owned enterprises and even all enterprises to a clean operating environment[4-5].
4. Reform Countermeasures and New Goals

In order to better implement the goal of deepening the reform of state-owned enterprises, the following aspects should be optimized.

(1) Mixed ownership reform. The state-owned component of mixed ownership enterprises is an organic part of China’s national economy, which is of great significance to China’s economic development and construction. At present, the related matters of mixed ownership in China are not clear enough. The establishment of mixed ownership is to inject non-China’s small and medium-sized enterprise development strategy investors into the enterprise, so that the modern ownership system and the small and medium-sized enterprise legal person institutions are relatively perfect, so that the enterprise’s management organization can be changed, and the enterprise can be further expanded. The reform of mixed ownership in the new era will make China’s enterprise system and economic system more reasonable and scientific, and help economic development.

(2) Natural monopoly enterprise reform. At present, the infrastructure construction of national economic and information security and major information resources industries are mainly natural or monopoly industries, such as iron and steel enterprises, energy enterprises, communication enterprises. Although the above companies have played a role in serving the national strategy and ensuring the national economy and people’s livelihood, the state has also given many relevant policies to lead its development. However, with the acceleration of the reform progress of China’s new state-owned enterprises, these natural monopoly industries naturally need to break the original independent monopoly pattern, and thus better integrate with enterprises and industries in other fields, coordinate the development of mutually beneficial and complementary models, and advance from the original ‘plate type’ to the ‘ecological circle type’ reform direction, so as to jointly promote the development of China’s economy and protect the needs of the people in all aspects.

(3) Scientific corporate governance structure. In the recent assessment of state-owned enterprises, state-owned enterprises after the audit that the current part of the company’s internal structure is not perfect, the company’s shareholders, supervisory level, management organization and personnel settings are unreasonable, the responsibilities between the various levels of performance is not sufficient, the parties involved in governance constraints are not enough, unclear responsibilities, lack of mutual control and other phenomena more prominent. The internal structure of the company affects the company's corporate culture and corporate vitality. A healthy corporate governance structure helps the company to have a clear division of labor and improve efficiency, while an unscientific corporate structure will hinder the company's decision-making, lag in development, and even form a toxic corporate style. Therefore, a new round of reform should focus on strengthening the construction of the board of directors and other levels, improve the internal supervision mechanism of the board of supervisors, and form a scientific and reasonable governance structure.

(4) Employee stock ownership plan. At present, the vast majority of China’s enterprises between the internal system and the stock system is a state of separation, production and service within the enterprise, and the external issue of stocks and bonds, internal staff and the company's shares have nothing to do. The main productivity of the company is the internal staff, while the external stock drives away the macro profit, and the internal staff has nothing to gain. The separate model may cause the staff to have an unbalanced psychology, thus affecting the enthusiasm of the work. Therefore, it is very necessary to try the employee stock ownership plan. By introducing the mechanism of employee shareholding, a reasonable internal incentive and restraint mechanism has been further formed in state-owned enterprises, so as to further enhance the vitality of the company and enhance the strength of the company. Implementing this measure will help to continue to improve the ownership structure of state-owned enterprises, further improve the supervision mechanism of enterprises, and gradually form an enterprise system and mechanism that is more suitable for the development law of the socialist market economy.

(5) Establish a market-oriented incentive system. At present, most enterprises in China do not do well in marketization, and the level of marketization of business models and products is low. At the same time, there is a lack of reasonable talent incentive mechanism within the company, which will lead to the slow development of the enterprise. In order to encourage the economic development of Chinese enterprises, under the new situation, it is very necessary to implement hierarchical accounting in various business areas, and according to the functional definition standards and division conclusions, according to the regulations, it belongs to the fully competitive business and region, actively promotes the hierarchical accounting system, and carefully completes the classification assessment. At the same time, it further regulates the subsidy method for enterprises, does not implement government subsidies based on ownership for state-owned enterprises, and establishes a scientific and effective, stable, safe, reliable, fair and transparent
government payment subsidy system for small and medium-sized enterprises. Establishing a market-oriented incentive system will help stimulate the vitality of enterprises and achieve sustainable development.

5. Conclusion

State-owned enterprises are vital to the national economy. Deepening the reform of state-owned enterprises is an important task under the new domestic and international situation. In order to solve the shortcomings of the reform of state-owned enterprises, the next stage should focus on the reform of mixed ownership, the reform of natural monopoly enterprises, the scientific corporate governance structure, and the establishment of market-oriented incentive system.

References