

Situation and Policy Analysis of Mixed Ownership Reform in State-Owned Enterprises

Yunfei Xu* Hualei Zhang Jian Zhao

State Grid Energy Research Institute Co. LTD, Changping, 102209, Beijing, China

*Corresponding author. Email: xuyunfei@sgeri.sgcc.com.cn

ABSTRACT

The reform of mixed ownership has become an important breakthrough in deepening the reform of state-owned enterprises in the new era. The report of the 19th National Congress of the Communist Party of China put forward a new historical orientation of the reform of state-owned enterprises in the new era, and clearly pointed out that it is necessary to "deepen the reform of state-owned enterprises, develop mixed ownership economy and cultivate world-class enterprises with global competitiveness". This paper analyzes the policy situation of mixed ownership reform of state-owned enterprises in the new period, and provides reference for further deepening mixed ownership reform.

Keywords: *Mixed Ownership Reform, Policy and Situation, State-Owned Enterprises.*

1. INTRODUCTION

In September 2020, the three-year reform of state-owned enterprises was launched in an all-round way, and it was proposed to focus on deepening the reform of mixed ownership. State-owned enterprises should firmly grasp the direction of mixed ownership reform, adhere to the principle of "three causes, three benefits and three noes", actively and steadily, and strive for the actual effect of the reform. Moreover, the reform focus is on promoting the reform of mixed ownership of state-owned capital investment, enterprises funded by operating companies and sub-enterprises. According to the functional orientation of different enterprises, rationally design, adjust and optimize the ownership structure of mixed ownership enterprises. Group companies should implement more market-oriented differentiated management and control of state-owned enterprises with relative holding and mixed ownership, and promote the establishment of a flexible and efficient market-oriented operation mechanism. It is necessary to strengthen supervision over the whole process of mixed ownership reform and resolutely prevent the loss of state-owned assets. The three-year action of state-owned enterprise reform further clarified the concrete construction drawings for implementing the "1+N" policy system and top-level design of state-owned enterprise reform, and provided direction and guidance for further promoting the mixed ownership reform of state-owned enterprises [1].

2. NEW POLICY ON THE REFORM OF STATE-OWNED ASSETS AND STATE-OWNED ENTERPRISES

2.1. Pilot Policies Related to the Reform of State-Owned Assets and State-Owned Enterprises.

To carry out the pilot work of "Double Hundred Actions" in the reform of state-owned enterprises. In 2018, the State-owned Assets Supervision and Administration Commission of the State Council mobilized and deployed the "Double Hundred Actions" for the reform of state-owned enterprises, and selected more than 100 subsidiaries of central enterprises and more than 100 local state-owned backbone enterprises to enter this round of reform. This round of reform focused on the objectives and tasks of "five breakthroughs and one strengthening". The key task is to actively and steadily promote the reform of equity diversification and mixed ownership. We should actively and steadily promote the reform of mixed ownership by classification, and focus on supporting and encouraging commercial "Double Hundred Enterprises" whose main businesses are in fully competitive industries and fields to develop mixed ownership economy through restructuring and listing. State-owned enterprises should carefully select investors, fully implement and equally protect the property rights and interests of all kinds of investors, and on the basis

of mixed property rights, further play the role of promoting the transfer mechanism of capital attraction [2].

Four batches of pilot work of mixed ownership reform have been successively promoted. The pilot implementation plan of the first two batches of enterprises' mixed reform has gradually landed, and the mixed reform of the third batch of 31 enterprises (10 subsidiaries of central enterprises and 21 local state-owned enterprises) has also steadily advanced. In May 2019, the National Development and Reform Commission officially launched the fourth batch of mixed reform pilots, with a total of 160 state-owned enterprises, which has achieved substantial growth in both quantity and field. The reform of mixed ownership of state-owned enterprises has been further intensified, and the implementation opinions for further deepening the reform of mixed ownership of state-owned enterprises have been issued. The mixed ownership reform of state-owned enterprises in key areas should encourage social capital to enter, while in the field of perfect competition, social capital should be allowed to be holding.

Promote the pilot work of establishing world-class demonstration enterprises. The State-owned Assets Supervision and Administration Commission of the State Council has selected 10 units including Aerospace Science and Technology, PetroChina, State Grid, Three Gorges Project, National Energy Group, China Mobile, AVIC, China Construction, CRRC and CGNPC as world-class demonstration enterprises. Demonstration enterprises can comprehensively apply various reform policies of state-owned enterprises, such as mixed reform, employee stock ownership, equity incentives, etc., and give full play to the reform effectiveness. Sasac will further delegate authority, and demonstration enterprises can independently decide development planning, investment and financing, total wages, property rights management, equity incentives and other related matters.

2.2. New Requirements of State-Owned Enterprise Reform

The report of the 19th National Congress and the 2018 Central Economic Work Conference put forward new requirements for the reform of state-owned assets and state-owned enterprises from the capital and enterprise levels, combining the changes of major social contradictions in the new era and the focus of economic system reform.

(1) At capital level: to promote state-owned capital to become stronger, better and bigger.

To be stronger, better and bigger is the fundamental goal of the reform of state-owned enterprises. Making state-owned capital stronger, better and bigger requires

actively promoting the structural adjustment and innovative development of state-owned enterprises, which points out the direction for maintaining and increasing the value of state-owned assets and preventing the loss of state-owned assets.

To strengthen state-owned capital. The report of the 19th National Congress pointed out that it is necessary to "accelerate the layout optimization, structural adjustment and strategic reorganization of the state-owned economy". In 2018, the meeting of leaders of central enterprises and local SASACs emphasized that "we should work hard to optimize the layout structure and continuously enhance the overall function of the state-owned economy", "we should focus on optimizing and adjusting the layout structure to further improve the efficiency of state-owned capital allocation" and "state-owned central enterprises should strengthen market value management and enhance shareholder returns". To strengthen state-owned capital requires state-owned enterprises to improve the allocation efficiency of state-owned capital. State-owned enterprises should focus on the strategy of serving the country, promote the concentration of state-owned capital in important industries, key areas and key infrastructure that are related to national security, the lifeline of the national economy and the national economy and people's livelihood, and improve the allocation efficiency of state-owned capital. To strengthen state-owned capital requires optimizing the structure of state-owned capital. State-owned enterprises should adhere to the market orientation, optimize the structure of state-owned capital and enhance the competitiveness of state-owned capital by resolving excess capacity, carrying out strategic restructuring, focusing on innovation and development of main business, and promoting rational capital flow. To strengthening state-owned capital requires state-owned enterprises to pay more attention to the management quality of state-owned assets and the ability of maintaining and increasing the value of state-owned capital, and further rely on the platform of listed companies to integrate high-quality assets and continuously improve the ability of value creation. To strengthen market value management requires intensifying the awareness of market value management and shareholder return of senior management team of state-controlled listed companies. Meanwhile, it is also pivotal to speeding up the exploration of the mechanism of linking executive compensation with stock price and market value of listed companies by means of equity incentives and employee stock ownership.

To be an excellent state-owned capital. The report of the 19th National Congress pointed out that it is necessary to "improve the management system of all kinds of state-owned assets, reform the authorized management system of state-owned capital and effectively prevent the loss of state-owned assets." The 2017 Central Economic Work Conference pointed out

that it is necessary to "improve the state-owned assets reform plan of state-owned enterprises, accelerate the transformation of the functions of state-owned assets supervision institutions around managing capital, and reform the authorized operation system of state-owned capital." In 2018, the government work report of the NPC and CPPCC pointed out that "deepening the pilot reform of state-owned capital investment and operating companies, and giving more autonomy". To be an excellent state-owned capital requires further liberalization of state-owned capital. In 2019, the central enterprises further decentralized the examination and approval authority of their subsidiaries in equity management, equity incentive scheme and asset restructuring, granted more autonomy to central enterprises and their subsidiaries. What's more, the central enterprises also further promoted the reform of the authorized management system of state-owned capital, and ensured that state-owned enterprises could properly exercise the rights of market subjects and invigorate state-owned capital. The two types of companies would further held a large number of shares of parent-subsidiary companies of central enterprises by means of investment and financing, equity operation, etc., so as to more effectively exert the control, influence and driving force of state-owned capital.

To expand state-owned capital. The report of the 19th National Congress pointed out that "deepening the reform of state-owned enterprises, developing mixed ownership economy and cultivating world-class enterprises with global competitiveness". In 2018, the meeting of leaders of central enterprises and local SASAC emphasized that it is necessary to "comprehensively deepen the reform of state-owned assets of state-owned enterprises and add new impetus to the sustained and healthy development of China's economy". To expand state-owned capital requires state-owned enterprises to vigorously develop mixed ownership economy, use less state-owned capital to incite more non-public capital, further enlarge the function of state-owned capital, promote the mutual integration, mutual promotion and common development of various ownership economies, and enhance the influence, driving force and control of state-owned capital. State-owned enterprises should actively introduce private capital to integrate the mechanism advantages of private enterprises and promote the vitality of state-owned enterprises.

(2) At enterprise level: to cultivate world-class enterprises with global competitiveness.

To cultivate world-class enterprises with global competitiveness is a new requirement and guideline for state-owned enterprises when socialism with Chinese characteristics enters a new era. The report of the 19th National Congress pointed out that "deepening the reform of state-owned enterprises, developing mixed

ownership economy and cultivating world-class enterprises with global competitiveness". In 2018, the meeting of the heads of central enterprises and local SASACs emphasized that "efforts should be made to improve the market-oriented operation mechanism and continuously stimulate the development vitality of state-owned enterprises." "To focus on the implementation of reform measures and further promote breakthrough progress in important areas and key links." In 2019, the meeting of the heads of central enterprises and local SASACs emphasized that it is necessary to "strengthen independent innovation, accelerate the transformation of old and new kinetic energy, vigorously carry out key core technology research, and promote the transformation and upgrading of manufacturing industry and high-quality development. It is necessary to strengthen the main industry, strengthen strategic guidance, optimize the layout structure of state-owned capital, and promote slimming, improving quality and efficiency. It is necessary to strengthen management promotion, comprehensively improve the effectiveness of internal control system of enterprises, strengthen basic management and quality management, and strive to reach the world-class level ". To Cultivate world-class enterprises with global competitiveness requires state-owned enterprises to benchmark the world-class level, establish a first-class scientific and technological innovation system and talent team system, strengthen capital operation ability and risk prevention and control ability, and build a distinctive corporate governance structure and operation mechanism.

2.3. New Task of State-Owned Enterprise Reform.

From the perspective of policy evolution, mixed ownership reform has become the main direction of the reform of state-owned assets and state-owned enterprises. The Third Plenary Session of the 18th CPC Central Committee clearly stated that "mixed ownership economy is an important realization form of basic economic system" and "actively develop mixed ownership economy". The 2016 Central Economic Work Conference further emphasized that "mixed ownership reform is an important breakthrough in the reform of state-owned enterprises". The report of the 19th National Congress pointed out that "deepening the reform of state-owned enterprises, developing mixed ownership economy and cultivating world-class enterprises with global competitiveness". The report put "developing mixed ownership economy" between "deepening the reform of state-owned enterprises" and "cultivating world-class enterprises with global competitiveness", which shows that the reform of mixed ownership has become the most important content of the reform of state-owned enterprises in the new era and the most important way to realize the goals of state-owned enterprises. At the National Symposium on State-owned

Enterprise Reform in 2018, Vice Premier Liu He emphasized "paying special attention to the reform of mixed ownership", and the 2018 Economic Work Conference of the CPC Central Committee also pointed out that it is necessary to "accelerate the transformation from managing enterprises to managing capital and actively promote the reform of mixed ownership". From January 14th to 15th, 2019, the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council held a meeting of heads of local SASAC of central enterprises, pointing out that comprehensive reform should be deepened and mixed ownership reform and equity diversification should be actively promoted. The 2019 government work report pointed out that the reform of mixed ownership should be actively and steadily promoted. The three-year action plan for the reform of state-owned enterprises in 2020 clearly points out that we should focus on deepening the reform of mixed ownership [3].

From the point of view of realizing the purpose of reform, the reform of mixed ownership has become the key task of realizing the new requirements of the reform of state-owned assets and state-owned enterprises. Its important purpose is to enhance the vitality and competitiveness of state-owned enterprises by improving the ownership structure, corporate governance structure and mechanism, and establishing market-oriented management mechanism. Among them, it would become the new tasks of mixed reform of state-owned enterprises to strengthen the party building of mixed-ownership state-owned enterprises in the new era, and improve the corporate governance structure and corporate mechanism of mixed-ownership enterprises, thus establishing and perfecting the market-oriented management mechanism.

3. CONCLUSION

On the whole, the new environment, new policies and new tasks put forward new requirements for promoting the reform of mixed ownership in the new period:

State-owned enterprises should speed up the introduction of non-public strategic investors. State-owned enterprises should attract private capital and foreign capital to participate in the reform of state-owned enterprises with greater efforts, insist on paying equal attention to bringing in and going out, vigorously introduce the production equipment, advanced technology and management experience of world-class enterprises, and make full use of the mechanism advantages of private enterprises and the advantages of foreign capital in the international market to enhance the competitiveness of state-owned enterprises [4].

State-owned enterprises should speed up the establishment of effective checks and balances of

corporate governance structure and efficient governance mechanism. State-owned enterprises should promote the mixed reform of commercial state-owned enterprises whose main business is in fully competitive industries and fields. At the same time, they should focus on the governance system obstacles faced by mixed-ownership enterprises, comprehensively promote the construction of the board of directors of parent-subsidiary companies, earnestly implement the powers of the board of directors, reform the management system of external directors, and establish a sound corporate governance structure.

State-owned enterprises should speed up the establishment of a market-based system for selecting and hiring managers and professional managers. To accelerate the implementation of tenure system and contractual management of professional managers in market competitive enterprises, unblock the existing channels of identity conversion between managers and professional managers, speed up the establishment of differentiated incentive mechanisms for leaders of different enterprises, vigorously stimulate entrepreneurship, and form a strong atmosphere of entrepreneurial and bold innovation.

State-owned enterprises should speed up the establishment of market-oriented incentive and restraint mechanism. To expedite efforts to promote cadres' ability to go up and down by increasing job competition and market-oriented assessment. To accelerate the establishment of market-based recruitment and exit mechanism to realize the ability of employees to enter and leave. To explore how to further optimize the decision and adjustment mechanism of total wages in mixed-ownership enterprises. To optimize the internal distribution mechanism and restraint mechanism of salaries based on performance, and accelerate the exploration of how to increase or decrease the income through orderly executive incentives and employee stock ownership, so as to stimulate the business vitality of enterprises [5].

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