



The Analysis on the Situation and Typical Practice of Tenure System and Contractual Management of Managers in State-Owned Enterprises

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Abstract. With the full implementation of the tenure system and contractual management of managers in state-owned enterprises, it has accumulated rich practical experience and achieved remarkable results. However, due to the short implementation time of contractual management of managers, in the specific implementation process, there are still some difficulties and shortcomings. In the process of deepening the tenure system and contractual management of managers, we should pay attention to discussing the implementation path of tenure system and contractual management of managers from some key points of tenure system and contract by learning from the practical experience of advanced enterprises, and stand on the shoulders of predecessors to promote the implementation of tenure system and contractual management of managers.

Keywords: Tenure system, Contracted management, Typical practice.

1 Introduction

Since the new round of reform of state-owned assets and state-owned enterprises, the reform of managerial tenure system and contractual management has increasingly become a key task for state-owned enterprises to establish a market-oriented mechanism for selecting and employing people, which has been emphasized as reform measures in many national policy documents. The relevant reform policy documents of the central and local governments have repeatedly stated clearly that it is necessary to speed up the implementation of the tenure system and contractual management of enterprise managers and establish and improve the market-oriented operating mechanism. First, the policy strongly supports the reform of tenure system and contractual management. Second, the operational guidelines for contractual management of tenure system were issued, and the pilot scope, operational requirements and time schedule were clarified. Third, in recent years, the reform has been comprehensively upgraded and accelerated, and it has been promoted in depth ^[1].

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2 Connotation and scope

The tenure system and contractual management of managers are important tasks to deepen the three institutional reform, and also the core work promoted by the Three-year Action Plan for State-owned Enterprise Reform (2020-2022). The so-called "tenure system and contractual management" is defined as "a management method for the management members of an enterprise, which is based on the fixed tenure and contractual relationship, carries out annual and term assessment according to the contract or agreement, and pays the salary and implements the appointment (or dismissal) according to the assessment results." From the scope, the objects of tenure system and contractual management cover the management level of state-owned enterprises, including general manager, deputy general manager, financial controller and other senior managers stipulated in the company's articles of association [2].

3 Problems in the implementation process

The tenure system and contractual management of managers are an important part of the reform of market-oriented operating mechanism, which is related to many issues such as the party's management of cadres and market-oriented selection and employment mechanism, the functions and powers of the board of directors and managers, and the reconstruction of salary assessment. With the full implementation of the tenure system and contractual management of managers in state-owned enterprises, it has accumulated rich practical experience and achieved remarkable results. However, due to the short implementation time of contractual management of managers, there are still some difficulties and shortcomings in the specific implementation process. In the actual operation process, the tenure system and contractualization are generally promoted according to the following steps: firstly, to define the implementation object and scope; secondly, to define the employment period and assessment objectives; thirdly, to sign the employment contract and the responsibility contract for business performance; fourthly, to define the assessment reward and punishment measures and the liability for breach of contract. However, at the executive level, there are often situations that cannot be implemented. For example, the powers and responsibilities of other subjects in the governance structure have not changed fundamentally, and the effective management power of the board of directors over the managers has not been implemented at the hiring end, the assessment end and the salary end, and the effective management power of the general manager over the vice presidents and department heads has not been fully implemented in the hiring and assessment process. To make the tenure system and contract system require a comprehensive consideration in systematization, which poses no small challenge to the management level and implementation difficulty of enterprises [3].

4 The analysis of typical practice

Judging from the actual progress, most state-owned enterprises have taken the three-year reform of state-owned enterprises as an opportunity to gradually promote the tenure system and contractual management of managers according to different types and levels of subordinate units since 2020. Generally speaking, its propulsion path can be divided into two categories. One is the mode of "pilot first, full coverage of secondary units, promotion of third-and fourth-level units". For example, China Southern Power Grid proposed to take the lead in "Double Hundred Enterprises" and "Science and Technology Reform Demonstration Enterprises" in 2020; In 2021, it was fully covered by the second-tier enterprises, and 70% of the third-and fourth-tier enterprises would be promoted; By 2022, the enterprises at all levels under control would be fully completed. The other is the mode of "group headquarters first, top-down, layer by layer". For example, since 2020, China Building Materials Group has steadily promoted the tenure system and contractual management of managers at the group level. The tenure system and contractual management of managers at the group level can better play the "head geese effect", promote the linkage between the upper and lower levels through the above rates, lead the group to promote the tenure system and contractual management of managers at all levels, and form a joint force of reform of "linking up and down, making concerted efforts" [4].

4.1 To clarify the interface of rights and responsibilities of managers

Before implementing the tenure system and contractual management of managers, state-owned enterprises would generally clarify the boundaries of powers and responsibilities between the board of directors and managers, and at the same time fully realize the authorization and decentralization from superior units to subordinate units and from the board of directors to managers.

4.1.1 To straighten out the boundary of rights and responsibilities between the board of directors and managers, and increase the authorization of the board of directors to managers.

Southern Power Grid Technology Company is an enterprise of "Science and Technology Reform Demonstration Action" in China Southern Power Grid. According to the working principles of "compliance with laws, equality of rights and responsibilities, and coordination of operation", it has formulated a rigorous and clear list of rights and responsibilities of governance subjects, sorted out 103 business items in 7 fields, and straightened out the boundaries of rights and responsibilities between the board of directors and managers. The company added 15 items authorized by the board of directors to managers in investment management, performance appraisal management, middle-level management personnel recruitment, employment and salary management, and gave full play to the role of managers in "seeking management, grasping implementation and strengthening management".

4.1.2 To clarify the boundary between the rights and responsibilities of the parent company and the subsidiary company, and implement the authorization and decentralization of the subsidiary company.

Dongfang Electric Corporation strengthened the construction of the board of directors of subsidiary enterprises and built a full-time team of directors and supervisors, and changed the management and control mode of subsidiary enterprises from examination and approval management to governance management by appointing directors and supervisors, and implemented the functions and powers of the board of directors for medium and long-term development decision-making, manager assessment and salary distribution. They improved the division list of powers and responsibilities of parent and subsidiary companies, and reduced the number of powers and responsibilities from 124 to 105, a decrease of 15.32%. They authorized 35 of the 69 examination and approval items of the parent company, and the proportion of authorization and decentralization reached 49.28%. They clearly defined the process control requirements of guidance, supervision and evaluation of subsidiary companies, and ensured that they were "released, accepted and entrusted stably".

To clarify the boundary of responsibilities and rights of managers effectively solved the problems of unclear principal-agent relationship between the board of directors and managers and unclear interface of responsibilities and rights of managers, and fully guaranteed the rights of managers to operate according to law and the space to fully perform their duties.

4.2 To set the scientific business performance target

The goal of management performance directly determines the direction and height of management members' efforts. The assessment contents and indicators need to be as specific, quantitative and evaluable as possible. The assessment objectives should be scientific and challenging, and managers should be encouraged to benchmark the world-class enterprise indicators to challenge the best level in history and promote the high-quality development of enterprises ^[5].

4.2.1. To set scientific, objective and quantifiable performance evaluation indicators. Shenzhen Power Supply Bureau is the first subsidiary of China Southern Power Grid control business unit to implement the tenure system and contractual management of managers. In the assessment dimension, Shenzhen Power Supply Bureau designed the assessment of managers as three parts: organizational performance assessment score, personal contribution score and red line matters. Among them, the organizational performance evaluation score was directly applied to the annual operating performance evaluation score of Shenzhen Power Supply Bureau by China Southern Power Grid, which is an objective quantitative evaluation index; The quantitative index score of personal contribution was mainly based on the job responsibilities and division of work of each manager, combined with the annual key work, selecting the directly related assessment index of China Southern Power Grid and the supporting or strategic key tasks in charge of the field, which not only reflects differences, but also reflects chal-

lenges; Red-line matters are binding matters. By defining all kinds of red-line matters of "No A" (performance can't be rated as Grade A) and "Grade C" (performance is directly rated as Grade C), the management members are guaranteed to perform their duties in accordance with the law and ensure the stable and healthy development of the enterprise.

4.2.2 Managers are linked up and down internally, and one-on-one research is conducted to determine individual performance appraisal indicators. China Construction Technology is a "science and technology reform demonstration enterprise" of China Construction Group. In order to set up the assessment indicators that are in line with the strategic characteristics of the enterprise, China Construction Technology has set up an assessment working group and designed a performance assessment target determination method of "three ups and three downs, two rounds of research". In the first step, the working group adopted a top-down method to decompose the objectives. When setting the assessment objectives, it should not only correspond to the requirements of China Construction Group for the performance assessment objectives of China Construction Technology, but also combine the company's strategic planning, financial budget, the three-year action plan for state-owned enterprise reform, and the work account for the demonstration action of scientific reform. It should also be decomposed twice according to the division of labor of management members, and the first draft of assessment indicators should be determined and fed back to management members. In the second step, the general manager personally discussed the indicators and index values one-on-one with the management members, and studied the feasibility and challenge of the indicators on the spot to form the first draft revision opinion. In the third step, the management members make modifications according to the modification opinions and feed them back to the working group, which re-evaluates the indicators and index values to form a second draft. In the fourth step, the Chairman, the General Manager and the working group studied the assessment indicators and index values of the management members one by one, and form the second draft revision opinions, and the management members would improve the feedback again according to the revision opinions. Finally, the working group would feed back the assessment indicators and index values of the third edition to the leading group and finalize them.

4.3 To strictly fulfill the contract and rigid assessment

In the process of implementing the tenure system and contractual management of managers, it is necessary to adhere to performance orientation, strengthen accurate assessment, effective incentives and rigid withdrawal, and promote the realization of "increasing and decreasing the income" and "promoting and lowering the position (post)" of managers ^[6].

4.3.1 Through salary incentives, effectively guide managers to complete or even exceed the assessment objectives. Dongfang Electric Corporation adhered to the market orientation and reasonably determines the salary level of managers through salary

benchmarking. First, in the system design, an incentive system combining the current period and the medium and long term would be established. In addition to receiving the annual and term salary according to the regulations, the managers of enterprises should all be included in the equity incentive plan of listed companies. Second, in the implementation of the rules, the transparency of target salary was implemented, changed the practice of "accounting after the fact", and directly wrote the performance and salary targets into the term contract to realize "salary according to performance". Third, in the setting of salary level, adhere to performance orientation, and exceed the target for three consecutive years, the average annual salary of managers could increase by 50% to 70%, and some enterprises can double; If the target is achieved for three consecutive years, the average annual salary of managers can increase by more than 20%; If the target has not been achieved for three consecutive years, the average annual salary of managers would drop sharply, with a minimum of only 50% of the target salary. Fourth, when the incentive was realized, both the all-around champion and the individual champion would be awarded, and the single index challenge reward rule would be established, and the excess profit reward would be implemented for the part where the term profit exceeds the target by more than 30%; Enterprises that have over fulfilled their market development tasks would be rewarded separately.

4.3.2 To Clearly formulate exit conditions and smooth exit channels

At the same time, Dongfang Electric Corporation promoted the tenure system and contractual management of enterprise management layer/manager layer, and simultaneously implemented the "tender selection system" for the management objectives of management layer/manager layer. According to the results of "bidding", it set up a management team and signs "one contract and two schemes" (term contract, performance appraisal scheme and salary linkage scheme). At the same time, identity was "double-linked" with tenure and performance appraisal results. After the three-year term ends, both parties could choose whether to renew the contract or not, and specify seven kinds of withdrawal situations. The group company could terminate the contract, terminate the term and be relieved of the current job. In addition, Dongfang Electric Corporation opened the exit channels for leaders, formulated and promulgated "Several Provisions on Promoting Leaders' Ability to Go Up and Down", and unblocked various exit channels, such as exit at age, exit from inspection and evaluation, exit from unsuitable position, exit from reform, exit from accountability for violation of discipline and law, exit from failure to perform work duties normally, voluntary exit, and exit from organizational arrangements. In the past two years, the proportion of quitting leadership positions according to regulations exceeded 10% annually.

5 Conclusion

The tenure system and contractual management of managers effectively solve the problems of managers in state-owned enterprises who have no tenure, no contract or contracts but have not been substantially implemented, and the implementation is not strict. It is an important breakthrough to promote the management of cadres in

state-owned enterprises from appointment system to employment system and explore marketization. From the perspective of high-quality development, the tenure system and contractual management of managers are helpful to optimize the corporate governance structure, help the management to further clarify the boundaries of powers and responsibilities and authorization, stimulate the vitality of enterprises through internal benign competition, and force the reform and development of enterprises.

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