Exploring a Basic Model of the State-owned Enterprise Reform

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Keywords: State-owned enterprise reform, Reform model, Mixed ownership reform.

Abstract. The new round of state-owned enterprise reform is being deepened. As of now, the reform has achieved positive results, and there are still some difficult problems that need to be solved through overall planning. The overall direction of SOE reform is clear, but the specific reform model needs to be explored in practice. This paper attempts to propose a relatively feasible basic model of reform in the long run to accelerate the reform of SOEs.

Introduction

Up to now, various tasks of state-owned enterprise reform have been promoted and achieved positive results, but there are also some difficult problems (Li Hongjuan, 2017; Tan Haojun, 2015). The basic model of reform has not yet been clarified, and the reform is still in the process of exploration. This paper attempts to analyze some difficulties in the new round of state-owned enterprise reform, and then explores a relatively common reform model in the long run.

The Three Principles That Should be Followed in the Reform of SOEs

(1) Reform need to rely on institutional guarantees. From the perspective of international experience, the implementation of reforms in developed countries is generally the first step in legislation, through specific bills to clarify the basic framework and path of reform. At present, in the process of state-owned enterprise reform, whether state-owned capital authorization management reform can realize the simultaneous decentralization of power and responsibility, whether mixed-ownership companies can truly fulfill the basic duties, whether the reform participants can obtain stable development expectations and guarantees. These all are fundamental difficulties in the reform. The reform needs to redefine the rights and responsibilities of each subject through an institutionalized approach, realize the "fault-tolerant" mechanism of reform of the legal system, and avoid "returning the road" if there are individual problems in the reform.

(2) The reform of the state-owned capital authorization management system requires all authorized entities to promote "self-change". The Zhongfa No. 22 clearly pointed out that the state-owned capital authorization management reform should be changed from “management enterprise” to “management capital”, but the specific model and path are not clear. This requires difficult exploration in reform practice. Since the central enterprises are generally large in scale and have many management levels, it is often the third level or less that is the real business management layer. Therefore, the authorized operation involves not only the rights and responsibilities between the investor organization and the enterprise, but also within the enterprise. It involves the relationship of rights and responsibilities between multiple management levels. The reform of the capital authorization management system involves the functional orientation adjustment, institutional reform and management thinking transformation of the authorized subject. It is necessary to authorize the main body to overcome the resistance of its own interests and dare to achieve “self-change”. In the vertical direction, multiple management levels mean multiple authorizations, and one more authorization makes it more difficult to reform. In the horizontal direction, there are great differences between different enterprises. Authorized management reform must not be "one size fits all", which further increases the complexity and difficulty of reform.

(3) Need a high degree of support between various reform tasks. The SASAC first launched “Ten Reform Pilots” and achieved positive results. However, in the process of individual pilots, there are problems in the reforms that are subject to other reform pilots. For example, in the process
of mixed ownership reform, the shareholders’ meeting, the board of directors, the board of supervisors, and the management of the company are really functioning under the authorization of state-owned capital management. In essence, this is because the SOEs are not an inorganic whole composed of various parts of machinery, but an organic whole composed of various parts of the “blood connection”. Through a single and partial reform, it can achieve certain results, but it is subject to Other areas of constraints will ultimately affect the overall effectiveness of the reform.

Discussion on the Basic Model of State-owned Enterprise Reform

On a global scale, there is no standardized model of SOE reform. China's SOE reform needs to be continuously explored in practice, and proposes a basic reform model that adapts to China's national conditions. To this end, this article makes several long-term judgments:

Judgment 1: The overall trend of SOE reform is to let the SOEs gradually return to the "essence" of their enterprises, give reasonable management autonomy, and realize the transformation of corporate governance to the legalization. This means that the reform of the licensing system and the reform of the mixed ownership system will become the two core traction lines.

Judgment 2: China's state-owned capital is widely distributed and large-scale. It is impossible to establish a state-owned capital investment operation company to realize the operation and management of all state-owned capital. Instead, it needs a group of such investment operation companies. This is obviously different from Singapore.

Judgment 3: According to the functional positioning difference between the state-owned capital investment companies and the state-owned capital operating companies, only a few state-owned capital operating companies are needed in the future, and most of them are state-owned capital investment companies.

Based on the above judgments, this paper proposes a basic model of state-owned enterprise reform (Figure 1), which is conducive to solving the difficult problems in the current state-owned enterprise reform process and promoting the reform of state-owned enterprises.

![Figure 1. Establish capital investment company at the subsidiary level.](image)

Note: According to the functional positioning of the state-owned capital operating company, it has no main business concept, and this paper judges that the number is small, so it is not the object of discussion.

The model consists of three levels: the first level is the capital supervision layer, that is, the state-owned assets supervision agency, on behalf of the government, the performance of the investor's duties to a number of state-owned capital investment companies, the implementation of "management capital"-based management. The second level is the capital operation layer, which refers to the restructured state-owned capital investment company. This level does not involve business operations and is indirectly managed by the listed company in accordance with the company law. The third layer is the business management layer. It is a number of listed companies juxtaposed according to the business sector and is governed by the relevant laws and regulations of the company law and the capital market.

The core point of this model is to directly carry out mixed ownership reform at the second level of state-owned enterprises, and promote listing when conditions are available.
The reasons are as follows: on the one hand, the mixed reform based on the business sector is more targeted and effective, and can attract high-quality enterprises in the upstream and downstream of the industry chain to participate in the mixed reform. On the other hand, from the perspective of development trends, asset capitalization and capital securitization are the main development trends, and listing is conducive to promoting the standardized management of state-owned enterprises.

The advantages are as follows: Firstly, the listing of the business segments can promote the improvement of corporate governance, solve the problem of the decentralization of power in the authorization management reform, and the company law gives the corresponding responsibility and rights of the enterprise at the legal level, plus the relevant legal provisions of the capital market. Can fully guarantee the system. Secondly, the reform of the second-level level is a listed company, which reduces the level of the authorization management reform, and only needs two layers of authorization, which weakens the difficulty of reform. Third, with the help of the listed company, the relationship between the capital operation layer and the capital management layer can be clearly defined, and the reform of the authorization management system based on “management capital” can be promoted to promote the publicization of SOEs.

Main Conclusions
The SOE reform should follow three basic principles, including: reform need to rely on institutional guarantees, the reform of the state-owned capital authorization management system requires all authorized entities to promote "self-change", and need a high degree of support between various reform tasks. On this basis, this paper explores an effective reform model, including three layers. The first level is the state-owned assets supervision layer, which implements the management and control of the management of the capital. The second is reorganized into the state-owned capital investment company, which implements the management capital. the third layer is the business management layer, which is divided into business areas, mainly in the form of listed companies. management.

Acknowledgement
This paper was financially supported by the State Grid Corporation headquarters science and technology project “The Research on the Method, Scheme and Effectiveness Evaluation of the Company's Mixed Ownership Reform” (Project No. SGTYHT/17-JS-199).

References