



## Thoughts on Management Reform in China's State-Owned Enterprises

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### Abstract

In order to improve the management level of China's state-owned enterprises, we should consider the management environment of state-owned enterprises and construct a suitable management mode, instead of copying the management experiences in western countries. Based on an in-depth analysis, this paper puts forward suggestions for the management reform in state-owned enterprises from three aspects. How to properly deal with the relationship between management reform and experience inheritance in state-owned enterprises, how to integrate China's local cultures, and how to reflect the theme of the times are the key points to construct the suitable management mode for state-owned enterprises.

**Keywords:** State-owned enterprises, Enterprise management, Sustainable development, Harmonious management

### 1. Introduction

Any effective enterprise management mode is a product combining management idea and management environment together. To copy the successful management experiences and methods in developed countries does not mean the success of management reform in China's state-owned enterprises. In order to improve the enterprise management level in China, we should grasp the chance of management reform in enterprises today, learning and consuming the advanced management theories in other countries, and making innovations based on conditions of China's state-owned enterprises. Only by considering the management environment of China's state-owned enterprises, can we create the proper, advanced, and special management mode for China's state-owned enterprises.

### 2. Three key points of management reform in state-owned enterprises

The management environment in China's state-owned enterprises, the management experiences of state-owned enterprises, and the requirements of Chinese culture and the times are the three important factors. How to properly deal with the relationship between management reform and experience inheritance in state-owned enterprises, how to integrate China's local cultures, and how to reflect the theme of the times are the key points to construct the suitable management mode for state-owned enterprises.

#### *2.1 How to deal with the relationship between state-owned enterprise reform and experience inheritance*

For the management reform in state-owned enterprises, how do we resolve the relationship between state-owned enterprise reform and experience inheritance? Firstly, we should have a clear and overall understanding to state-owned enterprises' former management situations.

China's state-owned enterprises have experienced decades of years, contributing a lot to national economic development. Although many management errors have emerged in management practices, some excellent management ideas and experiences have come into being. Firstly, in state-owned enterprises, workers are regarded as the owners, aiming at realizing the liberty and comprehensive development of human being. It reflects the human-oriented nature of state-owned enterprises and it is a transcendence of "humanistic management" thought in western management. Secondly, state-owned enterprises are good at cultivating the staffs' sense of belongingness. The work union plays an inevitable role in the process. Staffs' sense of belongingness is extremely important for enterprises' development. Whether the enterprise can inspire its staffs to generate a sense of belongingness or not is the key for the enterprise winning employee loyalty, enhancing its cohesion and competitiveness.

Along with changes of management environment, the competitive advantages of state-owned enterprises are declining gradually. The reason lies in the low management level of state-owned enterprises in general. To sum up, the management of state-owned enterprises has these problems as follow:

Firstly, emphasize on process and neglect results. State-owned enterprises pay more attention to process instead of results. Concerning enterprises' business strategy and goal, most state-owned enterprises merely deliver the goal

predetermined by higher authorities to different departments and then report the results from different departments to higher authorities. In this process, state-owned enterprises do not turn the goal into performance indexes or form a specific responsibility system that is responsible for enterprises' performance indexes.

Secondly, decision-making procedures are unscientific and most are managers' short-term behaviors. The chief managers in state-owned enterprises are mostly appointed by higher authorities directly. Enterprises' power is totally centered in the top management level. As a result, top managers are buried in endless affairs, ignoring enterprises' strategic and directive issues.

Thirdly, be lack of competitive mechanism and employees do not face any competition. Due to influences of planned economy and restraint of managers' authorities, state-owned enterprises do not possess the consciousness of competitiveness. In the personnel appointment aspect, state-owned enterprises follow a potential rule of "no degradation", without a "survival of the fittest" selection mechanism. In this environment, Chinese tends to stay in a present comfortable state and never think about reform.

Fourthly, the management organization is backward. State-owned enterprises have unilateral management organization. Most still adopt the "linear function" organizational form that was popular before the reform and opening. Managers are in charge of a wider span of management. They can not pay attention to corporate strategy. Besides, the linear guiding system overlaps with the functional reference system in enterprises, causing conflicts and unsuccessful information transfer. As a result, managers can not make right decisions timely. Responsibilities and obligations fail to be defined clearly.

Fifthly, the efficiency of staff training is low and the brain drain problem is serious. In state-owned enterprises, the lower staff training efficiency, lower staff satisfaction degree, and serious brain drain are chiefly caused by such a fact that there are lack of a perfect staff training system in state-owned enterprises. Enterprises do not possess a scientific training idea. The staff training is blinded. Enterprises do not design an effective training system based on enterprise development and employee needs. The training effect is low.

Based on an overall understanding to the management situations in state-owned enterprises, we find out the definite answers for how to solve the problem between state-owned enterprise reform and experience inheritance: inherit the excellent tradition of state-owned enterprises and reform the enterprise management.

### *2.2 How to explore the management method with Chinese features based on Chinese culture*

In order to explore the management reform in state-owned enterprises, we should not only introduce foreign latest management theory but also stand on Chinese culture, developing the management theories and methods with Chinese features according to the main thinking ways and personalities of Chinese. Generally speaking, Chinese thinking mode is visual and comprehensive, emphasizing on mastering objectives from an overall aspect. In management, this thinking mode turns into the essence of contingency management thought and systematic management thought. Chinese culture emphasizes on harmony. Chinese emphasize on the harmonious interpersonal relationship. They cherish the harmony of people. Therefore, for Chinese, the humanistic management can exert the management effect better. Managers should pay attention to the relationship between employees, cultivating the staff's consciousness of collectiveness. In the aspect of reward system, manager should emphasize on both individual reward and collective reward. In executing the rational management, managers must be careful, emphasizing the harmony in enterprises.

### *2.3 How to embody the theme of the times*

Enterprises are the most important components of the society. Enterprise development should keep the same space with the social development. At present, to pursue a sustainable development and construct a harmonious society have already become the theme of the times. As the important components of the society, state-owned enterprises must advocate the sustainable development and emphasize on harmonious development in order to drive the social development and harmony. Enterprises' sustainable development focuses on enterprises' long-term development, using systematic theory to explore the origin and specific methods for enterprises' development strategy from the whole to the part, from the long-term to the short-term, and from the qualitative changes to the quantitative changes. Integrate the sustainable development thought into the enterprises' ideas, which will be used to guide the constitution of enterprise strategy, realizing a combination of the macro and the micro, and the short-term goal and the long-term goal. Enterprises' harmonious management is to plan, organize, lead, and control enterprises' resources according to the "harmony" idea, which can help to reach the predetermined organizational goals. The harmonious management aims at realizing a great unity of the harmony of people and enterprises, the harmony of people and people, and the harmony of people themselves, obtaining the integrated effects that include economic effects and social effects.

## **3. Suggestions for the management reform in state-owned enterprises**

To deal with the management reform and experience inheritance in state-owned enterprises properly, to integrate Chinese local cultures, and to embody the theme of the times serve as the base of constructing a suitable management

mode. Connecting with the exploration of management reform in state-owned enterprises, this paper advances suggestions for the management reform in state-owned enterprises from three angles.

### *3.1 Solve the relationship between state-owned enterprises' reform and experiences inheritance*

Firstly, state-owned enterprises' reform should absorb the valuable experiences in decades of years, insisting on employees' owner position, and enhancing the cultivation of employees' sense of belongingness. (1) Inherit the "employees are owners" idea and execute the human-oriented strategy. Enterprises should put staff development and enterprise development at the same important position, what reflects the strategy of regarding employees as owners of enterprises. Meanwhile, by constructing the leaning organizations, enterprises can provide with a platform for employees' development, improving the capabilities of employees. By this way, enterprises will completely realize employees' comprehensive and free development and carry out the human-oriented strategy. (2) Emphasize on the construction of corporate culture. Positive corporate culture can help employees cultivate a sense of belongingness, collecting strengths for enterprise development. Besides, the positive corporate culture can inspire employees' work enthusiasm, helping them overcome the negative thoughts.

Secondly, considering some common problems in state-owned enterprises, this paper puts forward several schemes for improving the management in state-owned enterprises.

(1) Build up a performance management system and emphasize on the business results in state-owned enterprises. Use the performance indexes database to discompose the enterprise strategic points and goals and apply them to the management level and different departments, forming an effective goal- responsibility system, and making different responsibility subjects' performance behaviors consistent with the enterprise strategy.

(2) Emphasize on strategic management and long-term development. Make a set of scientific strategic decision-making process. With the base of understanding and mastering the external environment and self conditions, use all kinds of advanced analysis tools to make strategic analysis, directing the whole enterprise to organize effectively and make best use of enterprise's internal resources, and realizing an overall plan of enterprise's business goal. The enterprise can develop its advantages and avoid disadvantages by strategic study, meeting the changes of market environment, pursuing the long-term survival and development, and establishing its basic directions, goals, and fundamental measures.

(3) Execute the competitive employment mechanism and inspire employees' initiative. In order to overcome people's certain negative nature we should construct an employment mechanism that supports the enterprise-and-employee bilateral selection and internal competitive employment. This mechanism provides with an equal employment platform for excellent people, which can effectively enhance the staff's work initiative. By this mechanism, the staff can share the enterprise's pressure in competition by improving self quality.

(4) Construct process organizations. Make innovation for organizational form. Get rid of the narrow thought for certain operation or department and analyze the organization from the process angle. By executing the business process management and centering on the business process, break up the pyramid organizational structure and realize an effective communication and all employees' participation management, making the enterprise catch up with the high efficiency and fast rhythm of the information society and possess stronger emergency capability and flexibility.

(5) Emphasize on the improvement of employees' competence. To improve employees' competence should not merely rely on the designed staff training. It is necessary to construct a brand-new platform. Build up an incentive mechanism that serves as an internal motive for improving employees' competence. Aiming at the professional career plan, use the competence-quality model to evaluate employees' current competence, based on which develop an overall employees' competence construction by the staff training and the competitive employment mechanism, improving employee's qualities effectively in general.

### *3.2 Integrate Chinese culture*

Considering Chinese thinking habits, state-owned enterprises should construct a management system from a systematic and dynamic angle. Corporate strategy is to determine the enterprise's general goal and regulate its general action based on the enterprise's conditions. In the general business management, the enterprise takes corporate strategy as the goal and pays attention to the whole situations. Based on the strategic goal, use the strategic capability evaluation model to identify the distance between corporate capability and corporate vision at different strategic stage, which provides with proper evidence for capability construction.

Considering the characteristics of Chinese personalities, state-owned enterprise management should take the harmony as the key factor of management. Aiming at the construction of harmonious enterprise, using the harmonious culture to guide the enterprise's harmonious development, making the harmonious idea permeate into the corporate creed, system, and employees' behaviors, and executing an overall harmonious management can realize the harmonious development of the enterprise.

### 3.3 Embody the theme of the times

Firstly, advocate the sustainable development of enterprise. (1) State-owned enterprises should refine the corporate culture that supports enterprise's sustainable development. The enterprise should follow the human-oriented rule, taking all stakeholders' interests into consideration, and pursuing the harmony of the enterprise and even the society. (2) Construct an organizational ability structure that supports the enterprise's sustainable development by organizational ability construction. Build up the learning organization and guarantee the source of organizational progress. (3) State-owned enterprise should cultivate an excellent staff by employees' competence construction, which serves as an objective condition for sustainable development.

Secondly, emphasize on corporate harmonious management. The harmony of enterprise should include the harmony of corporate ideas, the harmony of systems, and the harmony of behaviors. In the aspect of ideas, the harmony is the directive thought and the rule of management. In the aspect of systems, the harmony is the mainstream of enterprise system construction and the incentive mechanism of enterprise. In the aspect of behaviors, the harmony is the work way and the interpersonal association rule of employees. Therefore, in the management reform process, state-owned enterprises should execute enterprises' harmonious management from the three aspects mentioned above.

### 4. Conclusion

Western advanced management thoughts and ideas come into being continuously. China's state-owned enterprise reform makes progresses during the process of introducing western management thoughts and the exploration. Many domestic experts and scholars devote themselves into the study of this issue and many latest management theories appear one after another. However, few studies concern an integrated research on the factors that should be emphasized in realizing the management innovation in China's state-owned enterprises. This paper suggests that the management reform in China's state-owned enterprises should take three issues into consideration. It develops an in-depth analysis and puts forward suggestions for state-owned enterprises' management reform, which has a practical and directive meaning for China's state-owned enterprise reform.

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