

Research on the Path and Effectiveness of Mixed Ownership Reform of State-Owned Enterprises

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Abstract: The theme of this article is how enterprises carry out Enterprises of the Composite-Ownership System and investigate it from three aspects: development history, reform path, and reform effect. The article argues that a mixed ownership economy is the core content of China's economic system, which aims to improve the productivity and competitiveness of Chinese capital and prompt the unified and mutual development of the state-owned economy and private economy. The article reviews the four stages of the revolution from 1978 to today and introduces the characteristics and policy measures of each stage. The article also discusses two main paths of mixed ownership reform: whole listing and private enterprise participation, and analyzes their impact on the financing, governance, brand, innovation and other aspects of state-owned enterprises. The article finally evaluates the effect of the reform, taking some state-owned listed companies and mixed-ownership enterprises as examples, proving that mixed-ownership reform can improve the management productivity and innovation deficiency of enterprises.

Keywords: Mixed Ownership, Development, Path and Effectiveness

1. Introduction

Research background and purpose State-owned companies are the main part of China's economy, but due to excessive competition, excessive access and other problems, a mixed ownership economy was first proposed in the Third Plenary Session of the 14th Central Committee of the Communist Party of China in 1993. In 2013, at the Third Plenary Session of the 18th Central Committee of the Communist Party of China, mixed ownership reform of state-owned companies was the core content of economic policy [1]. The content is specifically reflected in the participation of public capital and non-public capital in the same enterprise, which is managed and operated by the most efficient capital operation as the dominant part. The emergence of mixed ownership companies conforms to the will of the people, expands the investment methods, and alleviates the problem of insufficient funds and nowhere to invest. Now, this kind of economy accounts for a large part of China's economy. Since the mixed ownership reform of state-owned companies was proposed, the industrial structure of reformed companies has been optimized, the economy has grown steadily, and the situation of "nowhere to invest" has been eliminated. This paper will summarize and analyze the path and effect of the emergence of the enterprises of the composite-ownership system [2].

2. Development history of mixed ownership reform of state-owned enterprises

2.1. Development

2.1.1. The first stage

The first stage of mixed ownership reform development was between 1978 and 1992. A great discussion about how to find the truth was carried out during this period, which greatly liberated people's minds and provided an ideological basis for mixed ownership reform. In this period, China did not have a complete framework for mixed ownership, lacked clear concepts, had relatively backward ideas, and was exploring various aspects. The understanding of mixed ownership was shallow. However, the concept of property mixing has appeared [3]. Property mixing has become an irreversible trend. During this period, due to the foundation of the special economic zones, certain state-owned companies began to accept foreign funds, forming an early prototype of mixed ownership. The Third Plenary Session of the 11th Central Committee illustrated the disadvantages of public ownership: production capacity development was suppressed. So individual economy began to form again. It can be seen that when the development line centered on economic construction was just established, people began to explore mixed ownership economy preliminarily.

2.1.2. The second phase

It was between 1993 and 2002. In 1993, at the third Plenary Session of the 14th CPC Central Committee, it was illustrated that "to establish a socialist market economy is to make the market play a basic role in resource allocation under state macro-control." The development line centered on economic construction has been established. To build modern socialism, the party carried out a shareholding system transformation. This is also an important prerequisite for a mixed ownership economy. During the same span, in this period, state-owned companies were in a bad situation which were rising loss rates and nowhere to invest. More than 80% of enterprises had more or less debts. Individual economies and private economies were encouraged to develop. Against this background, mixed ownership economy reform happened naturally. Mixed ownership companies greatly improved economic growth space and reduced the easy loss problem of state-owned enterprises. At the same time, capital operation is treated as the core to reducing company operation and management costs and optimizing resource allocation and industrial structure. From September 12 to 18, 1997, The 15th National Congress of the CPC took place in Beijing [4]. At this congress, individual economy and private economy were firstly put forward as an economic system. This is a challenge to traditional Marxism and a breakthrough. It is an epoch-making move. This move greatly promoted the revolution and implementation of a mixed ownership economy system. In 1999, at the Fourth Plenary Session of the 15th Central Committee, it was suggested that state-owned enterprises could attract capital investment by issuing shares and transforming into shareholding companies. Mixed-ownership enterprises are indispensable to the socialist market.

2.1.3. The third stage

This was from 2003 to 2012. At that time, the mixed ownership economy system was more perfect and mature. The Third Plenary Session of the 16th Central Committee of the Communist Party of China improved the definition of mixed ownership, pointed out its importance and clearly stated that "we should vigorously develop mixed ownership economy with state-owned capital, collective capital and non-public capital participating in shares". The mixed ownership economy has turned into almost the most significant strategy for China's enterprise progress. In this period, more state-owned enterprises began to transform into shareholding companies. By 2013, more than 90% of companies

had been using mixed ownership economy systems. At the same time, in this stage, the advantages of mixed ownership were well reflected: the patent application rate of mixed ownership enterprises ranked first among all types of enterprises. In addition, at the 17th CPC National Congress, it was suggested to promote fair access, improve financing conditions, break institutional barriers, and prompt the progress of individual, private, and small and medium-sized enterprises. It continued to promote the froth of individual and private economies so that individual and private economies could also get a fair financing environment and abolish the difference between inside and outside the system.

2.1.4. The fourth stage

The fourth stage is from 2013 to now. At that time, the mixed ownership economy turned into the main theme of China's enterprise development, and its development entered a golden period. The third Plenary Session of the 18th CPC Central Committee elevated the progress of the mixed ownership economy to the height of an important realization form of China's economy, and some methods have been introduced to promote and cooperate with the reform. During the period of continuously developing public ownership enterprises and treating the status of the state-owned economy as the main body, the party also insisted on supporting and encouraging the growth of the non-public ownership economy, enhancing economic vitality. In 2017, the 19th National Congress of the Communist Party of China pointed out that "we should deepen the reform of state-owned enterprises, develop mixed ownership economy, and cultivate world-class enterprises with global competitiveness." From this, we can see the party's attention to mixed ownership enterprises and its high expectations. General Secretary Xi Jinping pointed out in his discussion on deepening state-owned enterprise reform that we should aim at improving competitiveness and resource allocation efficiency, and speed up the formation of an effective legal person governance structure and a flexible and efficient market-oriented operation mechanism. From the party's continuous deepening and advancing reform, we can see that the importance of mixed ownership reform is undeniable and also put forward more urgent and standardized requirements for reform at the economic work conference which was held in 2016.

2.2. Path of mixed ownership reform

Firstly, the whole listing can increase the financing channels and efficiency of state-owned companies, ease the financial pressure, and support them to develop and invent more. Through listing, state-owned companies can use the resources and mechanisms of the capital market to attract more investors and partners and expand business scale and market share. Secondly, whole listing can encourage the modernization and marketization of state-owned enterprise governance and improve transparency and constraint. Through listing, state-owned enterprises have to accept supervision and evaluation from regulatory authorities and investors, operate according to standardized financial reporting and information disclosure systems, improve internal control and risk management mechanisms, and enhance internal incentive and constraint mechanisms. Thirdly, the whole listing can enhance the brand influence and social responsibility of state-owned companies, improve the value maintaining, and increment the ability of state-owned wealth. Through listing, state-owned companies can improve their popularity and reputation, Give the people a good brand image credibility, undertake more social responsibilities and public welfare undertakings, and contribute to national economic and social development.

Private enterprise participation Mixed ownership reform is a manifestation of mutual complementarity and reciprocal benefit between the state economy and private economy. They have their advantages and disadvantages. They need to learn from each other, draw lessons from each other,

and support each other. Through the revolution, both private and state capital can realize cross-shareholding and reciprocal integration, realize effective allocation of resource elements, and promote industrial upgrading and innovation development¹². Mixed ownership reform is a process of reciprocal convergence and common growth for state companies and also for private enterprises. It is not only a means for state companies to accelerate development, but also an opportunity for private enterprises to broaden their development space. For state companies, the reform can introduce market-oriented characteristics such as efficiency benefits, scientific innovation, etc., break through the original rigid system, enhance competitiveness, and anti-risk ability. For private enterprises, mixed ownership reform can take advantage of capital advantage, resource advantage, technology advantage, management advantage, etc., enter some monopoly or strategic industries, and enhance their strength, and influence.

3. The effectiveness of mixed ownership reform

The mainstream view among scholars now is that mixed ownership reform is beneficial for enterprises. The revolution improves the efficiency of capital utilization and business operations. By combining with foreign capital and individual economy, and through capital operation, it reduces the operating and management costs of enterprises and optimizes resource allocation and industrial structure.

3.1. Improve the management efficiency of enterprises

By absorbing foreign capital and private shareholders, the equity structure of enterprises becomes more diversified, and the management structure of the company is further optimized. Cai examined the impact of non-state-owned shareholders' participation level on the internal control quality of state-owned enterprises by using the data of non-state-owned shareholders' shareholding and personnel appointment in state-listed companies and concluded that in local state companies and competitive state companies, individual shareholders have a positive impact on enterprises [5].

3.2. Improve the shortcomings in innovation

The reform can improve the vitality of enterprises and innovate through new technologies and talents. Ma Hong took Yunnan Baiyao as an example to study and discovered that mixed ownership reform can motivate effect on enterprise research and development, but there are still reasons for low efficiency in R&D. This result displays that the improvement of the reform in creativity is not so comprehensive [6].

4. Problems and solutions of mixed ownership companies

The advantage of mixed ownership companies is that they can realize the complementarity and synergy of different ownership capitals, and increase the productivity and competitiveness of enterprises. However, that kind of enterprise also faces the problem of principal-agent, that is, the conflict of interests and information asymmetry between different shareholders, which may lead to ineffective governance and inefficient operation. Here are some solutions.

Optimize the equity structure, and achieve a leading share, highly dispersed, incentive share model. A leading share means that state-owned capital or other major shareholders maintain a relatively large proportion of equity, to ensure the control and strategic orientation of enterprises; highly dispersed means that except for major shareholders, other shareholders hold a low proportion of equity, to avoid interference or restraint from minority shareholders on enterprise decision-making; incentive share

means that through equity, options, dividend rights and other ways to provide long-term incentives for management, to solve the internal control risk.

It should improve corporate governance and establish an effective board of directors. The board of directors has the highest power to make choices for the enterprise, which should be composed of directors sent by different shareholders, to achieve balance and checks and balances of interests; The board of supervisors is the highest supervisory body of the enterprise, which should be composed of supervisors sent by different stakeholders, to achieve internal and external supervision; management is the highest executive body of the enterprise, which should be composed of professional and market-oriented managers, to achieve business management and performance evaluation [7].

Also, it should transform the operation mechanism, and achieve marketization and specialization. Marketization means that mixed ownership enterprises should conduct production and operation according to market demand and competitive environment, and get rid of administrative intervention and policy dependence; specialization means that mixed ownership enterprises should carry out industrial layout and resource allocation according to their core competitiveness, abandon disorderly expansion and cross-border operation [8,9].

5. Conclusion

The mixed ownership reform of state-owned companies is the core content of China's enterprise revolution. Its development process has four periods, starting from 1978 to 2013. When it became an important form and part of the Chinese economy, the main paths for mixed-ownership reform are two: one is overall listing, and the other is private enterprise participation. Both paths can increase financing channels and efficiency for state companies, push modernization and marketization of state enterprise governance, enhance brand influence and social responsibility of state companies, as well as introduce market-oriented features and innovation advantages of private capital [10]. The effectiveness of mixed ownership reform mainly lies in improving management efficiency and improving shortcomings in innovation. Through the literature research method, the author analyzes data and cases from some state-owned listed companies and mixed-ownership enterprises, proving positive effects on internal control quality, R&D investment, patent application, etc.

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