

Research on the Reform of State - owned Enterprise Board of Directors under Mixed Ownership

Shuang Wang ^{1, a}, Li Liu ¹, Dan Liu ², Natalia Kim ¹

¹School of business and administration, University of Technology and Science Liaoning, China

²School of advanced Vocational Technology, Anshan Normal University, China

^a593387167@qq.com

Abstract

Since the reform and opening up, China's economic structure has shifted from a planned economy to a market economy. As an important part of the national economy, the management style of state-owned enterprises has also changed. Under the background of mixed ownership reform, there are many problems in the state-owned enterprise board of directors such as the irregular internal structure, the dislocation of the owner, the absence or lack of organization under the system, the lack of evaluation system and evaluation system, and the imperfect selection mechanism of directors. It is necessary to start from the aspects of standardizing the structure of the board of directors, weakening the administrative management, standardizing the establishment of the board of directors, establishing the evaluation and evaluation system and establishing the selection mechanism of the directors and so on. The problems existing in the board of directors of state-owned enterprises are governed.

Keywords

Mixed ownership; state-owned board of directors; reform.

1. Introduction

The new round of state-owned enterprise reform is marked by "mixed ownership." The reform of mixed ownership of state-owned enterprises has become a hot topic in academic circles. As a key force and an important foundation for the development of our national economy, state-owned enterprises directly affect the overall national strength and social economy of our country in terms of their market competitiveness. In the state-owned enterprises, the board of directors is the main guarantee for improving management efficiency and quality of management and deepening the reform. However, due to the traditional management concept, enterprise structure and operation mode, there are still many limitations and shortcomings in the actual operation of state-owned enterprise board of directors, and even a considerable number of state-owned enterprise board of directors do nothing. Therefore, it is particularly important to strengthen the governance and construction of the board of directors of state-owned enterprises[1]. This article discusses the governance and construction strategies of state-owned enterprises under the background of mixed ownership.

2. The inevitability of mixed ownership reform

The mixed ownership economy was first proposed by the 15th Party Congress in our country. The report of the 15th National Congress of the Communist Party of China clearly defined mixed ownership as an existing form of public ownership economy. In the report of the 16th National Congress of the CPC, the policy of mixed ownership was given a clear policy. It proposed that except for a very small number of enterprises that must be wholly-owned by the state, all may be mixed with ownership reform. At the Third Plenary Session of the 18th CPC Central Committee, more explicit policy support was given on how to further promote the reform of mixed ownership, and the mixed ownership economy should be actively promoted through improving the property protection system.

After the founding of New China, the establishment of state-owned enterprises in our country took the strategic goal of developing the national economy and giving priority to the development of heavy industry as the macroeconomy. Through a series of reform measures, the state-owned economy has been identified as the dominant form of macro-economy in a relatively short period of time. This has enabled New China to quickly emerge and continue to emerge from a dilemma and a destabilization. However, with the deepening of economic development, especially the shift of the world pattern from the cold war pattern to the peaceful pattern, the drawbacks caused by the over-proportioning of the state-owned economy are gradually emerging. The first is the shortcoming of its diseconomy of scale. As the state-owned economic entity continues to grow, the original clear border between the market and the enterprise is blurred[2]. This led to the fact that the production originally submitted to the market was taken over by state-owned enterprises and the production costs of the enterprises increased with each passing day. The phenomenon of large-scale small-scale enterprises prevailed among the state-owned enterprises at that time. Second, the lack of flexibility in the state-owned economy to adapt to changes in the market and the slow feedback on market demand. This has led to the fact that the goods produced by state-owned enterprises can not be completely absorbed by the market, and there is a disconnect between production and consumption. Third, the single economic situation in the public sector is not conducive to market competition and there is no comparative advantage or absolute superiority in conducting international trade, especially in export-oriented international trade. Without these two advantages, under the framework of the global economic integration, it is very difficult to achieve a major leap in national development. Based on these issues, the reform of state-owned enterprises is a historical necessity. At the end of the last century, we have been gradually implementing the development of the mixed ownership economy so as to change the relatively closed and simple macroeconomic structure of the state-owned enterprises. During this period, it was mainly through a series of reforms such as the determination of property rights of state-owned enterprises, clear property rights, determination of shareholdings and transfer of shareholdings. At present, the state-owned enterprise reform that has been carried out and the proportion of state-owned shares still occupy an absolute superiority. In the state-owned shares occupy the premise of the premise of the mixed ownership reform, the impact on the state-owned board what exactly?

2.1 The board of directors in the status of state-owned enterprises and the significance of building the board of directors

In the state-owned enterprises, the board of directors is the main guarantee for improving management efficiency, managing quality and deepening the reform. The main responsibilities of the board of directors include: motivating, assessing, managing, selecting and hiring managers and strategically guiding the development of enterprises; Enterprises responsible for the major decisions of the future development, play a key role[3]. To strengthen the governance and construction of the board of directors of state-owned enterprises is an important foundation for the development of the socialist market economic system. It is also an inevitable trend in the development of modern enterprise management theory. It can effectively raise the value of state-owned assets, enhance the internal operating efficiency of state-owned enterprises, Sustained development to do a good job of security work.

2.2 The existing problems in the state-owned enterprises board under the background of mixed ownership reform

At present, the state-owned enterprises in our country have preliminarily established the modern enterprise system with independent legal person status. Through market-based methods such as listing, a diversified shareholding structure dominated by state-controlled entities has been formed. However, due to historical reasons, market environment, industry characteristics, Institutional background and many other factors, the current state-owned board of directors still has many problems:

2.2.1 The internal structure of the board of non-standard

The most important responsibility of the board of directors is to make decisions on major issues of the company. The board of directors should be an expert, knowledgeable and decision-making team with suitable scale and complementarity. At the same time, the board of directors should have relevant strategic planning, operation and management, financial control, Legal expertise and other aspects of a professional knowledge and ability, the only way the board can effectively participate in the decision-making and strategic management of enterprises, the formation of the guidance and constraints of the manager. However, as far as the current situation is concerned, there are many not-normative performances: First, unscientific aspects of the professional structure of the board of directors. The lack of expertise and ability of board members led to shortcomings in the board's expertise in the decision-making process. Second, there is no complementary board experience in the industry. There is a widespread lack of experience on the part of the board of directors in the industries in which the enterprises are located. In particular, the vast majority of directors are part-time. If the industries in which the employed enterprises are located before they are employed, the market environment and the trend of technological development are not they do not know or know much about them. After they took office, they did not study and become familiar with them seriously. The result is often "silly" as a shareholder's representative to participate in the enterprise. They are confusedly meeting and are confused and show their hands. Thirdly, the members of the board of directors are highly overlapped with those of the management team, resulting in the serious interference of the board of directors in the decision-making process and the self-evaluation by the management team.

2.2.2 Serious interference caused by administrative interference between government and enterprises

At present, most state-owned enterprises have built a three-party system with a general meeting of shareholders, a board of directors and a board of supervisors. However, the "three associations" committee with unique Chinese characteristics has not completely disappeared. Both the system of congresses and trade unions have disappeared completely. The functions and powers of many overlap, the party committees have more intervention on the company, the new system is actually the board of directors under the authority of the relevant government departments or agencies on behalf of the state, the majority of the board of directors selected by the SASAC, SASAC as state-owned The investor, through the general meeting of shareholders and the board of directors to fulfill their own regulatory obligations, but because the SASAC belongs to the national government departments, in the fulfillment of investor regulatory functions of the enterprise, it will also put forward many administrative orders and the enterprise has nothing to do with economic goals Claim. For many of these companies, the job market here is not entirely independent of the board of directors, but more of the SASAC and the government agencies to dominate this supremacy: and under the personnel appointment system in fact constitutes a The challenge of boardroom governance authority undermines the effectiveness of identifying managers' capabilities in the market for professional managers based on occupational concerns and the manager's reputation.

2.2.3 Under the agency missing or non-existent

Special committees under the board of directors can play a key role in the governance of the board of directors. Therefore, the establishment of the committee and the composition of its staff are important hallmarks of the independence of the board of directors. However, judging from the status quo of the board of directors of state-owned enterprises, there are two aspects in the establishment of the institution in the board of directors: first, the long-standing lack of internal institutions; and second, the in-built institutions are of no other name. Or the performance of many companies set up in accordance with the provisions of the articles of association of the various specialized committees, but did not develop the rules and procedures for the work of the members, let alone the normal operation; or too few due to the board of directors, the result is the Board of Directors and the various special committees It can only be "a set of people with a few agencies", which has seriously affected the role played by various specialized committees and the quality of their work.

2.2.4 Assessment system and evaluation system is missing

At present, the lack of evaluation system and evaluation system for the board of directors and directors of state-owned companies mainly manifests in two aspects: one is the absence of the assessment system and the evaluation system of the board of directors, and the other is the absence of the evaluation system of directors and the evaluation system [4]. The core function of a company's board of directors is its strategic decision-making. The feasibility and effectiveness of its decision-making are related to the long-term performance and development of the company. How to determine whether the decision-making of the board of directors is feasible and effective depends on establishing a scientific evaluation and evaluation system, after a standardized examination and evaluation in order to draw conclusions. However, at present, generally, such a system has not yet been established in state-owned enterprises. However, there is an urgent need for the evaluation and evaluation of directors. Many companies generally have the phenomenon of "human director" and "dumb director". Directors are not strong sense of responsibility, diligence and diligence are not enough, and individual directors do not have the professional qualifications of directors, The Company's business philosophy, strategic planning and business characteristics can not take the initiative to timely understanding. For these problems, because there is no scientific and standardized assessment system and evaluation system, can not be timely and accurate solution.

2.2.5 The selection mechanism of directors has not been perfect

Whether the selection mechanism of directors is scientific or not determines the selection of high-quality directors. The quality of directors is crucial to the construction of the board of directors. However, the current state-owned enterprises in the selection of directors has the following problems: one of the performance is no clear criteria for the proposed directors. The second manifestation is that there is no standard to form the board by what kind of group, there is no optimal organizational plan for the board of directors, there is no board of directors, resulting in shortcomings in the industry experience, professional ability and decision-making ability after the board of directors is formed. The third performance is the deviation of the motivation of selection of the main body. Most state-owned enterprises now mostly adopt the mode of "two-way entry and cross-service", that is, the chairman of the board of directors concurrently serves as party secretary and the general manager enters the board of directors. When each shareholder of an unlisted joint-stock company appoints directors, he considers the shareholder's own control in the board of directors More factors, the quality of the directors will certainly have an impact; particularly prominent is the independent directors of listed companies, because many are insiders, especially the chairman of the choice. The fourth manifestation is that the matching channels are too simple and basically take the same form of appointments or appointments as the appointment of party and government leading cadres. This is also one of the important factors that affect the quality of directors.

3. The state-owned board of directors' response

3.1 Regulate the structure of the board of directors

First, the conditions for the appointment of directors should be clarified. First, they should have a strong sense of professionalism and responsibility to faithfully represent and effectively protect the rights and interests of their investors. Second, they should have good professional records, be faithful to their duties, perform their duties in accordance with the law, be honest and diligent, Clean and self-discipline; the third is to have a strong ability to make decisions, prevent risk awareness, employers ability and pioneering and innovative ability. The second is the introduction of outside directors. The establishment of an external director system, and mandatory requirements for more external directors than internal directors, internal members of the enterprise except the board chairman and general manager into the board of directors, and then through democratic procedures to produce a staff director, the other directors should be from outside the enterprise, external directors In the labor relations, economic interests, business dealings and other aspects of the company has no contact with the office[5].

3.2 To weaken the administrative management

Enterprises are self-employed and self-financing economic organizations. The survival of the fittest of the enterprise depends entirely on the market, not on the will of the government officials, nor on the executives of individual executives sent by superiors. Whether it is state-owned enterprises or other types of Business, no exception. The state's management of enterprises mainly depends on the guidance and intervention of economic levers. The development and expansion of enterprises depend mainly on the capabilities and talents of the managers. In the corporate governance structure of mixed-ownership enterprises, the proportion of executives with executive positions in the board of directors and the board of supervisors varies among different types of enterprises. However, no matter what kind of enterprises, the government should weaken the government's intervention in the operation and management of enterprises, give full play to the professional managers' management functions, make the mixed-ownership enterprises develop benignly according to the requirements of marketization and establish a fair and open market competitive environment.

3.3 Regulate the board of directors under the agency

In the structure of corporate governance, the establishment of a number of independent committees in the board of directors aims at giving more effective supervision, checks and balances and decision-making functions of the board of directors. There are generally two types of committees within the board of a modern company: one is a committee of corporate governance, whose members are mainly non-executive or internal directors, such as the audit committee and the nomination committee; the second is the management committee of the company, Strategic management functions, including non-executive or external directors and executive directors, such as strategy and risk management committee. The office of the board of directors is responsible for preparing the board meetings, handling daily affairs of the board of directors, communicating information with the directors, providing services for the directors and other matters.

3.4 The establishment of assessment and evaluation system

First, form a board evaluation system. The evaluation and evaluation of the board of directors focused on the normative and effective operation of the board of directors, focusing on the formulation and implementation of the development strategy of the board of directors, establishment and standardization of the board of directors' operation, scientific decision-making and effectiveness, and selection of senior management personnel. Second, the formation of a director evaluation system. The evaluation of the directors mainly focuses on evaluating the professional ethics, performance ability, diligence and performance of the directors, etc., which should include the number of directors attending the meeting, the voting, the opinions expressed and the effect of the final decision.

3.5 To establish the selection mechanism of directors

The selection of directors is the establishment of a highly qualified team of directors. First, according to the personnel standardization requirements of the board of directors, the qualified personnel should be selected as the director candidates of state-owned enterprises according to the ratio of not less than 1: 1.5 to form the director disposition plan. On this basis, we will form a team of experts to conduct professional assessment and examination of eligible candidates and screen out the best candidate for the board of directors. Followed by a positive motivation. State-owned sole proprietorship companies should prevent purely for the sake of arranging cadres and send those who truly qualify as directors to the board of directors. Starting from the overall situation of building the board of directors, the wholly state-owned companies should jointly discuss and select an excellent board of directors.

4. Conclusion

Under the unfavorable situation of low global economic growth, slowing down of China's economy and many uncertainties in sustained and steady economic growth, the reform of mixed ownership of state-owned enterprises has broken market monopolies and trade monopolies and increased the competitiveness of state-owned enterprises and the vitality of private-owned enterprises Important means, but also an important way to achieve the coordinated economic and social development.

Under the background of implementing mixed ownership reform, state-owned enterprises should standardize the corporate governance structure and improve various governance mechanisms in accordance with the requirements of state-owned assets reform and explore a mixed ownership corporate governance model that suits China's national conditions.

Acknowledgements

The paper is the 2016 year of Liaoning Province philosophy social science planning project stage results, Known as the subject of "mixed ownership of state-owned enterprises under the board of Directors Governance Path Research". Host is Liu Li, The item number is L16AGL011.

References

- [1] Wu ai-Saving. Path selection of mixed ownership reform of state-owned enterprises [J]. Contemporary economic management, 2014, (10).
- [2] Hu Yu. Actively and steadily developing the thinking of mixed ownership economy [J]. Research on education, 2014, (06).
- [3] Huang Sujian. Study on the Reform of Mixed Ownership of Chinese State-owned Enterprises [J]. Economic Management, 2014(7): 1-10.
- [4] Liu Chongxian. Connotation of mixed ownership and implementation of the path [J]. China Circulation Economy, 2014(7):52-58.
- [5] Zhang Qiang, Chen Zhiwei, Jiang Guangchao. Mixed ownership reform in state-owned enterprises Problems [J]. China Finance, 2014(22):54-55.