

# A New Way for the Mixed Ownership Reform of SOEs under the "Economy with Four News"

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**Abstract:** In this paper, firstly, the policies are sorted out and the development status of SOEs is analyzed to summarize the development track of the mixed ownership reform of SOEs, and then, combined with the characteristics of the "economy with four news", its impact on the mixed ownership reform of SOEs is analyzed, and finally, the reform strategy is put forward. In the process of completing the reform of mixed ownership, SOEs should explore new ways in management system, talent cultivation and multi-field development.

## 1. Introduction

With the integration and development of new generation of information technology revolution, new industrial revolution and manufacturing and service industry, the achievements of digital economic development have penetrated into all fields, and the "economy with four news" of new technology, new industry, new business form and new mode as the leading factor has emerged. To adapt to the new form of market economy, SOEs should no longer rely on traditional development mode, but focus on innovative development [1]. The mixed ownership reform in SOEs should explore new ways out, allow enterprises to grow in transformation, improve strength in fusion, and expand in innovation.

## 2. Exploration on the path to the reform of SOEs

SOEs, as an important pillar of the national economy, are related to the security of the country and the stability of the national economy, so the reform of mixed ownership is an important means for them to become stronger, better and bigger. According to the first three batches of the announced pilot list of mixed ownership reform of state-owned enterprises, the mixed ownership reform of 31 enterprises involves no less than 35 industries (see Table 1). At present, the fourth batch has also been deliberated and approved, with a total of 160 pilot enterprises. From the trend chart, the number of mixed ownership reform has increased significantly (see Figure 1). Through the analysis of the previous National Congresses combined with the development of SOEs, it is found that the reform of SOEs in recent years is developing in the following directions.

Table 1 Distribution of mixed ownership reform of state owned enterprises

Batch number	Number of ENT	Industry type
The first batch	9	Communication industry
		Transportation
		Public utilities
		civil engineering
		Electrical equipment
		National defense industry
		Biomedicine
The Second	10	Electric power industry

batch		Transportation equipment
		Material industry
		Civil Aviation Airport
		Telecom Operation
		Machinery industry
		Nonferrous Metals
		Software services
		Aerospace
		special equipment
		Chemical industry
		noble metal
		real estate
		Agriculture, forestry, animal husbandry and sideline fishery
		Food and beverage
		Petroleum Industry
The third batch	31	Electric power industry
		Military industry
		Machinery industry
		Power generation equipment
		Environmental protection industry
		Coal industry
		Electronic information
		Building materials
		Steel industry
		Transportation
		Nonferrous Metals
		Automobile manufacturing

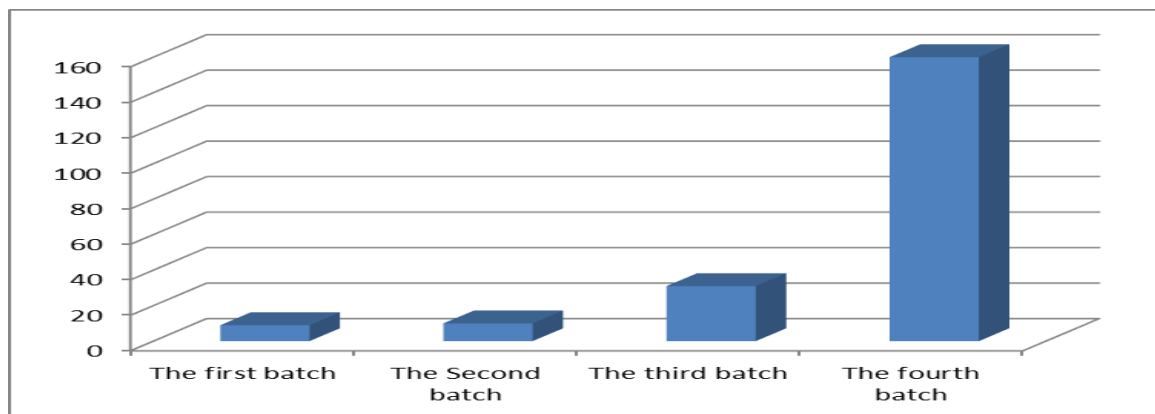


Figure 1 mixed ownership reform trend of state owned enterprises

## 2.1 Facing the market and enhancing vitality

In order to achieve development, SOEs should face the market, pay attention to the market trend, operate in an orderly way, make up for deficiencies constantly, adjust their deficiencies, change their operational thinking, change their operational strategies and enhance their vitality in order to better adapt to the competitive environment of the market and improve their comprehensive strength [2]. The mixed ownership reform of SOEs should also be market oriented, with strategies adapted as the market environment changes, following the rules of development of the market economy, to

introduce more competing mechanisms for the firms, and to allow the continuous development and growth of the firms in a benign cycle.

## **2.2 Separating government from enterprises and implementing right of autonomy for enterprise**

The key issue in the mixed ownership reform of SOEs is to straighten out the property relations. In China, the rights and responsibilities of the state and enterprises are clearly defined in the policy, in which the state enjoys owner's rights and interests in proportion to investment, assumes limited liability for enterprise debts, does not directly interfere in the normal business activities of enterprises, separates government from enterprise, does not abuse government power, allows enterprises to operate according to law, operate independently and assume profits and losses. The government plays the role of macro-control in formulating general policies and systems, standardizing the market operation order, ensuring the market operation environment, coordinating market operation relations to maintain the fairness, competition and order of the market. SOEs, as the main body of the market, should establish a modern enterprise system so that they can survive the fittest in the competition with self-development and self-discipline, and be responsible to investors, creditors, potential investors and other relevant interest entities [3].

## **2.3 Introducing the joint-stock system to develop a mixed sector of the economy**

The reform of shareholding system in SOEs is from sole proprietorship to holding shares, which introduces more advantageous resources for SOEs, enlarges capital, improves operating efficiency, establishes better modern company system, and provides a way for enterprises to enlarge, strengthen and excel. Initial results have been achieved in the reforming state-owned enterprises through stock system and the development of a mixed sector of the economy [4]. For example, China Unicom, as the first pilot enterprise of mixed ownership reform at the level of central enterprise group, has introduced many shareholding forms, such as strategic investors, public shareholdings and employee restricted stock incentive plans, so as to optimize capital structure, promote system reform, and constantly strengthen enterprise profitability and market competitiveness.

## **3. Elements and Characteristics of "Economy with Four News"**

### **3.1 The strong penetration of new technology**

Rather than simply staying on traditional product technology or laboratory technology, new technologies can be rapidly popularized for practical applications, such as big data technology widely used and leading to great practical and economic value in various fields, such as food, medical, electronic commerce, transportation, finance, and the renewal and advancement of any big data technology can result in industry fluctuation or rapid development. In the reform of the mixed ownership system of the SOEs, the technologies should be updated and developed. Instead of being complacent, we should seek cooperation in key areas of technology, look for companies with advanced technology as strategic partners, and consider introducing core technology as the conditions for shares, so as to promote the development of key technologies and enhance the core competitiveness of enterprises.

### **3.2 The leading role of new industry**

The new industry is not just the upgrade of industrial technology but causes a significant change in the industrial system. Taking technological development as an opportunity and market-oriented, it breaks the barriers of the original industry, highly integrates into other industries, and even leads the industrial development and realizes the participation of the whole people. For example, the rapid development of new e-commerce has gradually evolved into the trend of participation by the whole people. Taobao, wechat business, second-hand goods trading platform and other channels and methods have broadened the supply chain of procurement, sales, services and other industries, and promoted the development of regional industries in the form of national e-commerce. As SOEs play

a supporting role in the national economy, they should keep pace with the new industry and lead and promote the development of new industries.

### **3.3 Integration of new business forms**

Confluence of new business forms. The new business form is the division of labor between industries based on the existing fields, Derivative superposition, with new links, new activities and new economic growth points, which further subdivides the industry, expands the market and accelerates the industrial upgrading. For example, with the development of information technology, the Internet has gradually penetrated into various fields, forming various forms such as "Internet + education", "Internet + engineering", "Internet + chemical industry", "Internet + information", and so on, which has driven the new growth of economy. Various factors and circumstances of new industries should be considered comprehensively in the deepening reforms of SOEs, to maximize the use of the convergence and subdivision among industries, to optimize the strategies and paths for the mixed ownership reform.

### **3.4 The reshaping of the new mode**

The new mode breaks the traditional industrial chain and value chain, and recombines the industrial elements. As in the online + offline integration in the new consumption model, and the physical goods in the offline market are sold online in the form of consumption coupons, which have improved the income of online stores and stores. Some of the agricultural products in rural areas are sold through wechat and e-commerce, which has broken the traditional real market operation pattern, saved a lot of middleman links for farmers and realized the direct and rapid realization of agricultural products. In the reform of SOEs, the value-added effect of the new mode should be fully explored, the traditional industrial layout should be broken, and the industrial elements should be restructured efficiently.

## **4. The impact of the "Economy with Four News" on the reform of mixed ownership of SOEs**

### **4.1 The pace of reform has been accelerated**

The advancement of new technology, new industry, new business form and new mode has accelerated the adjustment of industrial structure and the upgrading of technology. It is far from enough for the SOEs to rely solely on the traditional operation mode and capital structure in order to become larger and stronger, whereas the reform of mixed ownership can seek more development opportunities for the enterprises, [5] exploit a larger trading platform and greatly improve the technical level. With the ever-changing market, endless emergence of technology and continuous emergence of business opportunities, SOEs must break through in order to achieve development according to the survival of the fittest, which also accelerates the pace of reform of mixed ownership.

### **4.2 The direction of reform has been adjusted**

New technology, new industry, new business form and new mode have broken the traditional industrial layout and are developing towards diversification and integration. Besides, a market economy system of multi-agent competition has also been established. However, in order to maintain the stability and unity of the country, state-owned capital still has to occupy an important position in key areas. With the continuous emergence of new industries and the updated turnover of technology, SOEs should promptly adjust their strategic directions in order not to be eliminated by the market economy. Due to the predominance of traditional industries in SOEs and the emergence of new economic growth points, in order to consolidate their economic status, state-owned capital must constantly adjust its orientation, seek multi-point cooperation, make up for the shortcomings of enterprises and open up new areas.

### **4.3 The field of reform has been broadened**

Under the economy with four news, more fields have been opened up, more capital has been discovered and more market resources have been developed, which have widened the scope of the reform of mixed ownership of SOEs. The reform of mixed ownership should not only focus on the absorption and reorganization of capital, but also on the high-quality market, excellent resources and advanced technology. SOEs should not be complacent and shy, but broaden their horizons, open up their steps and continue to explore new areas of reform.

## **5. New Ideas for the Mixed Ownership Reform of SOEs**

### **5.1 Strengthen strategic cooperation and enhance comprehensive strength.**

The management of state-owned enterprises should have a keen insight and keep an eye on industry information, technical information and industrial trends at any time, because any breakthrough in new technology and development of new markets may bring new economic upgrades and new opportunities and challenges to enterprises. Although the enterprises may not be able to adjust the hardware facilities in time, they can seek strategic cooperation in time to widen the channels for the operation and development of the enterprise, make up for the shortcomings in key fields and improve the comprehensive competitiveness of the enterprise. The reform of mixed ownership must be timely and win the first opportunity for enterprises, which requires the wisdom of management and a high-quality information system platform.

### **5.2 Widen the access to share, open up new and high technology, high-quality personnel and special rights to share, and improve the independent R&D capability.**

In the new situation, the survival and development of enterprises are inseparable from the mastery and application of technology. However, due to the long period of purchasing technology and the inability of some core technology, it may bring a lot of adverse effects to enterprises, even seriously hinder the development and growth of enterprises. Introducing high-quality talents, establishing technology R&D base, possessing independent R&D capability, improving enterprise soft power, can make the enterprise better adapt to the form of economic development. In this way, the reform of mixed ownership can become a means for enterprises to recruit talents, introduce multiple forms of share-taking, implement equity incentive policy, and drive enterprises to improve their independent R&D capability.

### **5.3 Collaborate with colleges and universities to cultivate highly skilled technical and management personnel, to save employment costs of enterprises and reserve high-quality human resources.**

Colleges and universities often cultivate comprehensive talents, while enterprises need professional elites. Direct recruitment of elites by enterprises is costly and less stable. If the organization of campus recruitment, can not be directly used for enterprises, but also need a series of training and training, resulting in a higher user cost. Directly cooperate with colleges and universities, collaborative education, point-to-point training of talents needed by enterprises, it is a good solution to this contradiction, which can not only meet the needs of enterprises, but also improve the quality and stability of talents. At the same time, the continuous talent training of schools has reserved high-quality human resources for enterprises. Because the reform of mixed ownership requires sufficient personnel and resources in all positions, [6,7] collaborative education strategy can be a good idea for talent training.

### **5.4 While introducing the modern enterprise management system, actively explore the leading enterprise management mode, and always keep the enterprise management efficient, advanced and flexible.**

To adapt to the new economic form, enterprises need to have advanced management mode, establish appropriate salary system and reward and punishment strategy, organize high-quality

production and operation, formulate accurate budget and plan, and make correct decisions and adjustments in a timely manner. The reform of mixed ownership can not be separated from the operation of excellent leadership team and management mechanism, which can improve the working efficiency of the enterprise, improve the operating environment of the enterprise, coordinate all aspects of the enterprise and provide better guarantee for the reform.

## **6. The impact of the "Economy with Four News" on the reform of mixed Ownership of SOEs**

After nearly 30 years of mixed ownership reform of SOEs, from trial-and-error to a systematic reform plan, facing the market, separating government from enterprises, and reforming the joint-stock system, there have been many excellent cases of reform in SOEs. However, under the "economy with four news", a number of new development changes have occurred, as indicated by the fact that in the face of rapid industrial economic development and technological revolution, new technologies, new industries, new business forms and new modes exhibit different characteristics, and in the SOE reform, it is necessary to make judgments about the new situation, find a new way out of the reform, strengthen strategic cooperation, enhance comprehensive strength, widen the channels of shareholding, cooperate with universities, collaborative education and actively explore leading enterprise management modes.

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