

# Research on the Path of Promoting the High-quality Development of State-owned Enterprises in the New Era

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**Abstract.** High quality development is an important proposition put forward at the 19th National Congress of the Communist Party of China and a new requirement for all-round economic development. As an important material and political foundation of socialism with Chinese characteristics, whether state-owned enterprises can make substantial steps in high-quality development is of great significance for building a modern economic system, promoting high-quality development of regional and national economies, promoting the transformation of growth rate and quality status, replacing scale with efficiency, and upgrading power.

## 1. Introduction

The new normal of China's economy is the symmetrical state of economic structure and sustainable economic development based on the symmetrical state of economic structure, including sustainable and stable economic growth. The new economic normal is an economy that emphasizes structural and steady growth, not an aggregate economy; it focuses on the symmetry of economic structure and sustainable development based on the symmetry, not just GDP, per capita GDP growth and maximization of economic scale. The new economic normal is to use growth to promote development, and use development to promote growth. The new economic normal is not the absence of GDP, but the absence of the GDP growth mode; not the absence of growth, but the positioning of GDP growth in the development model, so that GDP growth becomes part of the regenerative growth mode, productivity development mode.

The transition from high-speed growth to high-quality development is a major feature of economic development in the new era.

Since China became the second largest economy in the world in 2010, the Chinese economy has obviously taken on different characteristics. China has entered the middle and late stage of industrialization, and its economic growth rate is below 7%. This is determined by the cycle of the Chinese economy. This feature can also be verified from the industrialization process of developed countries.

The second feature of the new era of economic development is the strategic adjustment of the economic structure

Establishing the basic socialist economic system and promoting socialist economic construction have laid the institutional and economic foundation for China's

leapfrog economic development. They have also provided valuable experience, theoretical preparation and material foundation for how to build a socialist economy with Chinese characteristics in the new historical period. Reform and opening up are integrated and mutually reinforcing. Development is the absolute principle and economic development is the inevitable requirement of development. We have thus established and developed a socialist market economy and implemented a series of all-round and three-dimensional reform and opening up measures, which have greatly liberated and developed the productive forces and become the most important driving force behind China's economic miracle.

In the new era, the Chinese economy has shifted from a stage of high-speed growth to a stage of high-quality development. Guided by the new development philosophy, we have followed the theme of high-quality development, deepened supply-side structural reform, accelerated the building of an innovative country, implemented the strategy of rural revitalization, implemented the strategy of coordinated development among regions, and accelerated the improvement of the socialist market economy. We will push forward major measures such as opening up on all fronts and winning the three key battles, shift economic growth from quantitative expansion to qualitative improvement, and maintain the general trend of steady and long-term growth.

State owned enterprises are an important force in building a well-off society in an all-round way, an important pillar of socialism with Chinese characteristics, and an important basis for our Party's governance. To develop the productive forces and realize the industrialization and modernization of the country, we must always rely on and give play to the important role of state-owned enterprises. Under the situation of economic globalization and accelerating scientific and

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technological progress, state-owned enterprises shoulder the responsibility and mission of leading high-quality economic development, and must actively practice and take the lead. Over the past 40 years of reform and opening up, the development of state-owned enterprises has made brilliant achievements with the rise of the country. State owned enterprises have become an important part of the national economy, an important support for key construction projects and play a leading role in leading and driving the development of key industries and key areas [1]. The 19th National Congress of the Communist Party of China put forward the requirement of high-quality development, which is the requirement of all-round economic development. For state-owned enterprises undertaking heavy responsibilities, they must deeply understand and actively practice the connotation and actions of high-quality development, draw impetus from deepening the reform of state-owned enterprises, accelerate the pace of transformation and development, optimize the industrial layout, improve investment efficiency and production efficiency, we will accelerate the development of state-owned enterprises in a new way.

## **2. The Importance of Promoting the High-Quality Development of State-owned Enterprises in the New Era**

First of all, promoting the high-quality development of state-owned enterprises is a development that can well meet the growing needs of the people for a better life. It is a development that reflects the new development concept. It is a development in which innovation becomes the first driving force, coordination becomes an endogenous feature, green becomes a universal form, openness becomes a must, and sharing becomes a fundamental goal [3]. To be more specific, high-quality development means that economic development changes from “whether there is” to “whether there is”. Since the 18th National Congress of the Communist Party of China (CPC), the understanding of the phased characteristics of economic development has been deepening. In 2013, the CPC Central Committee made a judgment that China’s economic development is in the “three phases superposition” stage of growth rate shift, structural adjustment pain and early stimulus policy digestion. In 2014, it was proposed that China’s economic development enter a new normal. The new normal is an objective state that will inevitably occur when China’s economy reaches a certain stage of development. The great logic of China’s economic development is to adapt to the new normal, grasp the new normal, and lead the new normal. Under the new normal, new changes have taken place in the environment, conditions, tasks, requirements, etc. of China’s economic development. The growth rate should be changed from high speed to medium high speed, the development mode should be changed from scale speed to quality efficiency, the adjustment of economic structure should be changed from the focus on incremental capacity expansion to the

focus on adjusting the stock and improving the growth simultaneously, and the driving force for development should be changed from mainly relying on the input of resources and low-cost labor and other factors to innovation driven [3]. The 19th National Congress of the Communist Party of China further made it clear that China’s economy has shifted from a stage of rapid growth to a stage of high-quality development. These changes are the necessary process for China to promote the evolution of state-owned enterprises to a higher form, a more optimized division of labor, and a more rational structure.

Secondly, promoting high-quality development of state-owned enterprises is the fundamental requirement for determining development ideas, formulating economic policies and implementing macro-control at present and in the future. We must adhere to the principle of quality first and efficiency first, promote the quality, efficiency, and power changes of economic development, and constantly enhance economic innovation and competitiveness. We will accelerate the formation of an indicator system, a policy, standard system, statistical system, performance evaluation system, and performance appraisal system to promote high-quality development, to create and improve the institutional environment, and promote China’s economy to make new progress in achieving high-quality development. Over the past 40 years of reform and opening up, state-owned enterprises have experienced the development process of market economy from the decentralization of power and interest within the planned economy system to the establishment of a modern enterprise system, and have made remarkable achievements and accumulated rich experience. However, at present, the development of state-owned enterprises still faces many problems. The outstanding point is that the overall industrial layout is “heavy”, and the enterprises are lack of innovation motivation, vitality, and reform. They are still in the middle and low quality development stage. Therefore, we must firmly promote the key tasks of strengthening the main business, optimizing the layout, innovating the power, improving efficiency, deepening reform, and accelerate the implementation of the new development concept of state-owned enterprises, adapt to the development requirements of the new era, and achieve high-quality development.

Thirdly, there is the inevitable choice of high-quality development of enterprises in the new development environment, conditions and stages. At present, socialism with Chinese characteristics has entered a new era. China’s economy has changed from high-speed growth to high-quality development, and it is important to focus on economic construction to rejuvenate the country [4]. Promoting high-quality development is an inevitable requirement for maintaining sustained and healthy economic development, adapting to changes in major social contradictions, building a moderately prosperous society in an all-round way and building a socialist modern country in an all-round way, and complying with economic laws. On September 7, 2018, The State-owned Assets Supervision and Administration Commission of

the State Council pointed out in the report “Promoting the high-quality development of state-owned enterprises in a down-to-earth manner”: China’s economy has shifted from a stage of rapid growth to a stage of high-quality development. As the pillar of the socialist economy with Chinese characteristics, state-owned enterprises must strengthen their sense of responsibility and urgency, deeply understand the rich connotation and practical requirements of high-quality development, completely abandon the complex of scale and speed, and solidly promote the high-quality development of state-owned enterprises to achieve tangible results. We must unswervingly consolidate and develop the public ownership economy, adhere to the dominant position of the public ownership, give play to the leading role of the state-owned economy, deepen the reform of state-owned enterprises, develop a mixed ownership economy, cultivate world-class enterprises with global competitiveness, and promote state-owned capital to become stronger, better, and larger.

### **3. Key Problems to Be Solved in Promoting High-quality Development of State-owned Enterprises in the New Era**

In the process of promoting the development of height and quality in state-owned enterprises, the following major problems have emerged or always existed in recent years:

First of all, the problem of state-owned enterprises becoming stronger, better, larger and let the market play a decisive role. This problem mainly exists in two aspects:

(1) The contradiction between state-owned enterprises becoming stronger, better, larger and protecting the market vitality of private enterprises. The state-owned enterprises are superior at the starting point, and a fair and reasonable competitive environment is far from being formed;

(2) The evaluation of core competitiveness should come from the market, not from the protection of the government. Data shows that in 2019, the total assets of state-owned enterprises were 233.9 trillion yuan, with a year-on-year growth of 11.1%. While in 2008 it was only 34.7 trillion yuan, with the scale expanding more than six times in just 11 years.

This report card can almost “crush” most non-state-owned enterprises. Although the relevant departments have explained for many times that making state-owned enterprises bigger and stronger does not mean that the country will advance and the people will retreat. But the so-called “big, strong and excellent” is a relative concept, and its benchmarking can only be non-state-owned enterprises. Making state-owned enterprises bigger and stronger means that private enterprises in this field will be smaller, weaker and worse to some extent. The essence of making state-owned enterprises bigger and stronger is to compete with the people for money." In addition, state-owned enterprises (especially central enterprises) have three major responsibilities: political responsibility, economic

responsibility and social responsibility. One of the three is indispensable. On the three major responsibilities, the difficult points for state-owned enterprises to grasp are: first, state-owned enterprises should not only undertake economic tasks, but also fulfill social and political responsibilities. Second, the social responsibility of many state-owned enterprises is to assume the responsibility of the government to help the government serve enterprises and people. Third, it is necessary to clarify the function of state-owned enterprises in the national economy and give them a correct positioning and development environment.

Secondly, the problem between peeling off non main businesses and the extensive development of enterprises. At present, the reform of state-owned enterprises requires improving quality and efficiency, and the merger and reorganization of central enterprises presents a trend of stripping off non main businesses and focusing on main businesses. On the surface, it is conducive to getting rid of the historical burden and going into battle lightly. The boundary is clear and can be followed, but it runs counter to the general trend of increasingly extensive development of enterprises. According to the law of enterprise development, the super large enterprises have reached a certain stage, and the enterprise stage they are pursuing is the extensive development of enterprises, that is, they are beyond the existence of classic enterprises, form is scattered but spirit is not scattered, the organizational form is vague, there is no obvious boundary, and the function is generalized rather than weakened. In this regard, it is difficult to define which is the main business and which is the non main business. Stripping off the non main business and enterprise generalization may belong to different development stages, but the size and status of central enterprises will have to accommodate these two contradictory stages at the same time.

Third, the management incentive of state-owned enterprises. Entrepreneurs are the main body of the market. Both resource allocation and technological progress come from the exertion and application of entrepreneurship. Unfortunately, under the state-owned enterprise system, it is almost impossible to create entrepreneurs. Governments cannot replace entrepreneurs. How the state-owned enterprise leaders position and transform between the two specific roles of entrepreneurs and leading cadres of state-owned enterprises is a problem that every state-owned enterprise leader needs to face. Because the characteristics of the two are different or even completely opposite. Zhang Weiying, a famous economist, once said: “It is unlikely that the leaders of state-owned enterprises will consider the issue three years later. If you want to make him innovative, I think it is impossible”. “The leaders of state-owned enterprises cannot be regarded as entrepreneurs, because they do not have to bear the final business risks, and their positions are always changing.” From the comparison between the two, the leaders of state-owned enterprises can be clear: First, the fundamental attribute of the leaders of state-owned enterprises is the administrative attribute, the relationship with the party and government departments,

not the market attribute. Second, state-owned enterprises incentive mechanism is first the party and government incentive, from the deputy to the principal, to the department level and even the deputy ministerial level. In addition, there are the following three points: (1) personnel mobility and equity lock; (2) The contradiction between the tenure system of state-owned enterprise leaders and the medium and long-term incentive mechanism; (3) People flow and focus on innovation. Innovation needs a period of five years or twenty years to finally produce results. These three problems are also the pain points that need to be solved urgently in the management incentive of high-quality development of state-owned enterprises in the future.

Fourth, the market-oriented assessment of state-owned enterprises. At present, most of the listed companies of state-owned enterprises have not implemented truly market-oriented assessment. In the capital market, more attention is paid to net profit, earnings per share, operating cash flow, return on equity, industry attributes and development prospects. However, the assessment of listed companies of state-owned enterprises still focuses on operating income, total profits, economic added value, two funds, and the proportion of costs, and requires continuous optimization.

If the state-owned enterprises fail to effectively solve these four major problems, in order to truly promote the high-quality development of the state-owned enterprises in the future, they need to break through the shackles of the existing system and mechanism. The deep-seated, systematic and long-term contradictions still have a long way to go.

#### **4. The Practical Path of Promoting the High-Quality Development of State-owned Enterprises in the New Era**

1. We should promote the formation of an investment optimization system for building high-quality projects and high-quality investment.

The high-quality development of real enterprises starts from investment and depends on the quality of investment. Effective industrial investment is the main way for enterprises to grow and enhance their competitiveness. Therefore, it is necessary to strengthen the combination of enterprise investment and demand, and innovation, expand effective and innovative investment, increase increment, make living stock, improve quality, and add new strength. First, we should strengthen the industrial planning and project planning of state-owned enterprises, and plan a number of new leading growth points such as modern energy, major infrastructure, modern logistics, finance, and credit services around the city's industrial transformation and upgrading direction. Second, we should focus on effective investment, optimize the comprehensive investment layout of enterprises, reduce investment in backward industries and backward production capacity, orderly promote the construction process of projects under construction as planned, and ensure efficient

capital operation.

2. We should promote the formation of a power transformation system for technological innovation, industrial innovation and business type innovation.

Innovation needs long-term accumulation. The majority of state-owned enterprises are traditional industry led development models, and the foundation for innovative development is weak. From now on, we need to establish the concept of innovation driven development, accelerate the cultivation of new drivers, and gradually get rid of dependence on traditional, resource-based, and basic industries. Among the new driving forces identified in the report of the 19th National Congress of the Communist Party of China, green low-carbon and modern supply chain are the key breakthrough directions in line with the actual development of state-owned enterprises. Focusing on green and low-carbon, we should do a good job in modern energy economy, such as clean coal, green thermal power, photovoltaic, wind energy, conventional and unconventional oil and gas resources development and pipe network facilities; It is necessary to accelerate the development of railway collection and distribution system, integrated logistics base, logistics information platform, big data application and other industries around the modern supply chain.

3. We should improve the formation of a production management innovation system for enterprises with strong quality, brand and credit.

Engineering and product quality are important manifestations of high-quality development, which determine whether an enterprise has market competitiveness. The brand determines whether the product has added value and whether the enterprise is in the leading position in the industry. Credit rating is an important embodiment of the comprehensive strength of state-owned enterprises, and an important guarantee for state-owned enterprises to expand cooperation, finance credit, deepen reform, and build corporate culture. Therefore, we should focus on the above objectives, accelerate the establishment of enterprise quality standardization system, build state-owned enterprise brand mainly by improving quality, increasing category and creating brand, and implement the requirements of social credit construction to shape the image of enterprise integrity and improve the credit rating.

4. We should enhance the formation of a system to improve the production factors of resources, technology and talents.

For state-owned enterprises, the key point of high quality development of total factor productivity is to recruit talents, cultivate high-level enterprise management teams, technical talent teams, and party building work teams; We should eliminate inefficient, backward and overcapacity, eliminate sunset industries, sick enterprises and zombie enterprises, and "vacate the cage for birds" for the development of emerging industries.

5. We should increase the formation of an institutional guarantee system focusing on the reform of state-owned enterprises.



Economic restructuring is an important guarantee for high-quality development. The reform of state-owned enterprises is the inherent requirement of high-quality development of state-owned enterprises. We should further promote the separation of state-owned enterprises from government and enterprises, between government and capital, and between ownership and management, implement enterprise autonomy in accordance with the law, improve the market-oriented operation mechanism of enterprises, and promote state-owned enterprises to truly become independent market players. We will optimize the overall institutional arrangements for state-owned enterprises, actively implement the top-level design of classified reform of state-owned enterprises, differentiate and promote the reform of the property rights system of public welfare and commercial state-owned enterprises, the reform of corporate governance, and the reform of three systems within enterprises, steadily promote the reform of mixed ownership of state-owned enterprises, and stimulate the internal vitality of state-owned enterprises. We will continue to optimize the distribution of state-owned capital and the structure of the state-owned economy, improve the management system of state-owned assets, accelerate the transformation of state-owned assets supervision from focusing on managing enterprises to focusing on managing capital, improve the efficiency of supervision, and ensure that state-owned assets maintain and increase their value.

6. To promote the high-quality development of state-owned enterprises in the new era, we must improve the management level of state-owned enterprises in an all-round way.

First, realizing power conversion. Power transformation is the starting point of high-quality development of state-owned enterprises. To realize the power transformation, it is necessary to change the enterprise development mode, and make its development power shift from mainly relying on resources, low-cost labor and other factors to innovation driven. Second, promoting efficiency reform. Efficiency reform is the key to achieve high-quality development of state-owned enterprises. To promote efficiency reform, state-owned enterprises should adhere to efficiency orientation and value orientation, make efforts in product production and service provision, enterprise operation, etc., and constantly improve the technical efficiency, resource allocation efficiency and management efficiency of enterprises, so as to achieve the overall efficiency improvement of enterprises. Third, improving innovation ability. Schumpeter, the American economist who first put forward the innovation theory, said in the Economic Development Theory that from one carriage to 10000 carriages is growth, and only from carriage to locomotive is development. Innovation is the driving force of development, and entrepreneurs lead innovation.

Improving the innovation ability is the basis of realizing the high-quality development of state-owned enterprises. To improve innovation ability, we should focus on cultivating high-quality innovative talents, increase R&D investment aiming at the world's scientific

and technological frontier, and build a good enterprise innovation ecosystem. Be brave and good at carrying out management reform, eliminate the shortcomings of system, mechanism and management, vigorously promote the reform of enterprise organizational form, improve corporate governance, and build a flexible and efficient enterprise management model that conforms to industry characteristics and is conducive to enhancing core competitiveness. Fourth, improving the corporate image. Good corporate image is an important intangible asset for enterprises to achieve high-quality development. State owned enterprises should make greater contributions to safeguarding national security and the operation of the national economy, and developing forward-looking strategic industries. They should play a leading and exemplary role in promoting high-quality development, enhancing independent innovation capabilities, protecting resources and the environment, accelerating transformation and upgrading, and fulfilling social responsibilities.

## 5. Conclusion

This paper focuses on the analysis of the characteristics of the new normal of China's economic development, and on this basis, puts forward suggestions for the adaptation of State-owned Enterprises to China's economic development. The suggestions includes,

1. We should promote the formation of an investment optimization system for building high-quality projects and high-quality investment.

2. We should promote the formation of a power transformation system for technological innovation, industrial innovation and business type innovation.

3. We should improve the formation of a production management innovation system for enterprises with strong quality, brand and credit.

4. We should enhance the formation of a system to improve the production factors of resources, technology and talents.

5. We should increase the formation of an institutional guarantee system focusing on the reform of state-owned enterprises.

6. To promote the high-quality development of state-owned enterprises in the new era, we must improve the management level of state-owned enterprises in an all-round way.

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