Study on the Development of Collective Enterprises Operated by SGCC Based on Industrial Ecosystem

Yan CHANG* and Li-chun SUN
State Grid Energy Research Institute, CHINA
*Corresponding author

Keywords: Collective enterprises, Functional orientation, Innovative development.

Abstract. Under the background of deepening reform of state-owned enterprises and collective enterprise, reform of the collective enterprises operated-by SGCC has entered a new stage, management and development of which faces new challenges as well. The main purpose of this research is to study the new internal and external situations influencing the innovative development of the collective enterprises operated-by SGCC, clarify the problems needed to be solved based on the status quo, and propose the path and strategy for the collective enterprises to innovate and develop.

Environment of the Collective Enterprises’ Innovative Development

Reforms of power sector, state-owned enterprises (SOE) and mixed-ownership have brought a series of opportunities and challenges to the collective enterprises operated-by SGCC. As new development opportunities emerging in relevant competitive fields, collective enterprises engaged in power distribution and other competitive businesses face greater challenges. There is being inadaptation of the management mode. The collective enterprises also face significant reform challenges and new incentives.

Deepening reform of the collective enterprises is an inevitable choice for SGCC to achieve its strategic goals. It will contribute a lot to SGCC’s inner-reformation, and help with efficient, normalized and lean management of SGCC. It will also deeply influence the development, the normalized operation and management of collective enterprises. Furthermore, it will help to normalize the relationship between collective enterprises and the main business units of SGCC. The deepening reform of the collective enterprises will probably be of great benefit to the development of SGCC’s main business, speeding up the pace of “going-out” and going global, promoting the implementation of national energy and diplomacy strategies, and cracking the bottleneck of energy, resources and the environment.

Problems of the Collective Enterprises’ Innovative Development

Unstable Foundation
First, the ownership of property rights is unclear, bringing about ambiguity in authority and responsibility. Due to the absence of directly relevant policies and regulations, the connotation and scope of the ownership of the collective property managed-by SGCC are quite vague. According to the Regulations on Urban Collective Ownership Enterprises of the People's Republic of China, the property of collective enterprises belongs to the laboring masses, applying joint labor and distribution according to work. However, how to define the scope of the laboring masses? Does it include former or retired employees? These issues are controversial both in theory and practice. From the perspective of development history, the funds, venues and facilities at the beginning of the establishment were almost provided by the main business units of SGCC. Therefore, in terms of the nature of the source of the property, they are essentially the same as state-owned enterprises, though they were defined as collective enterprises when performing the formalities of business registration. From the perspective of current situation, the property rights relationship of those collective enterprises is more chaotic. Shareholders various from state-owned enterprises, private enterprises,
foreign shareholders to natural person shareholders. Furthermore, there exists cross-shareholding among part of the collective enterprises.

Second, the governance mechanism is usually unreasonable. Most of the collective enterprises haven’t established a scientific and rational corporate governance structure in accordance with the modern corporate system, and juridical person governance mechanism is absent. Due to the lack of scientific and strict decision-making mechanism, some collective enterprises have carried out arbitrary investment, financing, and guarantee. The internal control system is usually defective, and there’s no clear rules or standards in the collective enterprises’ management procedures, which brings about great business risk.

**Historical Burden**

First, the structure of employees is complex and the workforce quality is not high. There are multiple forms of employment in the collective enterprises and in one kind of jobs, including collective employees, NongDian workers, contract staff and employees from the main business units of SGCC, along with unequal or unfair pay. There also exists unregulated labor dispatching, which is in conflict with relevant labor laws. The average age of the workers has been up to 41 years old, whose education and skill level, and overall quality are quite low. And it’s quite unacceptable for the workers to leave the collective enterprises for other careers.

Second, the development of the enterprises is uneven. From the aspects of enterprise capital scale, income scale, profit efficiency, business structure and management level, the collective enterprises in eastern developed provinces are far better than the enterprises in northeast and northwest regions. Especially in the northeastern region, apart from the low business efficiency of the collective enterprises, there are many collective employees and staff from the main business units of SGCC in service, which makes it more difficult for downsizing.

Third, most of the collective enterprises’ production and operation are over-reliant on the main business, and most of the income comes from SGCC, causing the weak competitiveness in the market. There exists serious homogeneous competition, which gets in the way of scale advantages and brings about poor anti-risk ability. Most collective enterprises’ business models are far from market-oriented. Also, the long-standing and deep-seated idea of “wait and rely on help to come” has resulted in serious lack of pioneering consciousness and innovative spirit.

**Marketing Myopia**

First, the passive service cannot meet the needs of clients. Due to the backwardness of the service management mechanism, the over-reliance on the main business of SGCC, the lack of endogenous motivation for development and so on, the service style of the collective enterprises has changed from initiative at beginning to passive nowadays. Considering the development of "Internet+", electric vehicles industry, e-commerce business, and new energy business, the present service model of the collective enterprises is far from meeting the service requirements of those emerging business.

Second, it lacks an international vision and cannot meet the strategic goal of international development of SGCC’s main business. Implementing the "going-out" strategy and improving international operation is a major strategic decision made by the Party Central Committee and the State Council at the turn of the century. It is also a necessary choice for Chinese enterprises to participate in international competition and achieving sustainable development. At present, the collective enterprises still have problems such as unclear development orientation, weak management foundation, unregulated management and weak development capability. And it hinders the improvement of concentration of main business, asset quality, core competence, and the international development of SGCC’s main business.

**Path for the Collective Enterprises’ Innovative Development**

The innovative development of the collective enterprises must meet the requirements of policies on the one hand, and adapt to the development trend of market economy on the other hand, and finally integrate the development of the collective enterprises with the industrial ecosystem of SGCC.
First, promote the reform of mixed ownership, give priority to the introduction of central enterprises, local state-owned enterprises, and state-owned industrial fund, and properly resettle employees in mixed-ownership enterprises, and further improve the corporate governance mechanism and market-oriented management mechanism of the remainder of the collective enterprises.

Second, based on the relevant content of reform policies, while the employees are properly resettled, the operators from SGCC’s main business units can exercise their legal rights and transform the nature of the collective property into state-owned property in the process of reform. Ultimately eliminate the form of collective property, properly resettle employees, facilitate market-oriented operation of enterprises, and influence the remainder of the collective enterprises through capital ties, so that they can continue doing a good job in supporting the main business of SGCC.

**Key Initiatives for the Collective Enterprises’ Innovative Development**

**Consolidate the Foundation**

Improve the construction of platform enterprises, improve the corporate governance structure, formulate the platform corporate charter, clarify management rights and responsibilities, regulate the decision-making process, and improve the management and control model between platform enterprises and their subordinate collective enterprises. And gradually build the collective enterprises into independent legal entities with prominent main business, scientific management, and independent operation according to law. Reasonably bring in other state-owned assets and non-state-owned assets, establish a sound market-oriented system, and lay a solid foundation for the complete market-oriented operation of the collective enterprises.

**Strengthen the Capabilities**

Optimize the organizational structure, ease the unblance in the scale distribution and personnel distribution of the collective enterprises; standardize personnel management, accelerate the transformation of identity; strengthen party building, improve the market-based selecting and promoting system, smooth the career development channels; improve the market-based salary system, increase incentives for outstanding core employees. Build and conduct standard target system, clarify and bridge gaps, and promote comprehensive improvement; build an efficiency-oriented assessment and incentive mechanism to guide enterprises and employees to improve efficiency and actively participate in market competition. Actively explore the establishment of the “innovation and starting up businesses” model and incentive mechanism, and encourage grass-roots employees to create innovations in terms of equipment, technology, institution, and business. Through the efficient integration and development of resources and talents, it will provide a solid foundation and guarantee for the innovative development of collective enterprises.

**Innovate Business Models**

Standardize the development of core businesses of the collective enterprises, support the development of power grid construction and service companies more effectively; optimize business layout, centralize resources, enhance intensive management level and market competitiveness, reduce the burden of main business units, and promote the common development of SGCC’s main business and the collective enterprises. Expand the international vision, make full use of the “Internet+”, accelerate the transformation and upgrading of the collective enterprises, so as to promote the implementation of the "going out" strategy of SGCC.
Conclusions and Suggestions

The Reform of the Collective Enterprise Involves All Aspects of Property Rights, Personnel, Assets, etc., which Need to be Treated with Caution when Reforming.

SGCC should pay close attention to the change of policies and situations, be cautious and seize the appropriate moment to deepen the reform of collective enterprise. At the present stage, on the one hand, SGCC can consider gradually pushing forward the pilot work of reform, and make different reform plans for areas with better, medium and poor business performance, so as to sum up experiences and laying the foundation for the comprehensive implement of reform. On the other hand, once the local government introduces supporting policies for reform, SGCC should seize the opportunity to urge local units to carry out reform timely in order to maximize the benefits of policies and reduce the resistance to reform.

SGCC Clarified the Objectives of the Reform of Collective Enterprise and Provided Directions to Continue Deepening the Reform.

First, focus on and strengthen the core business, which means to deepen the reorganization, put priority on the development of construction installation, survey and design, engineering supervision and other core businesses closely linked to SGCC’s main business; steadily carry out auxiliary businesses such as logistics and property service; exit businesses that are not closely related to SGCC’s main business, like construction engineering decoration, tourism services, commerce and trade, real estate development, material supply, etc.; reorganize, transfer or liquidate the electrical and electronic products manufacturing enterprises on account of their competitiveness and profitability.

Second, clarify the goal of the reform of collective enterprise and continue to deepen the reform. The goal is to get the collective enterprises completely separated from the SGCC’s main business units through measures like establishing joint ventures, saling, liquidating and closing, etc., so that the collective enterprises become independent legal entities and market entities with clear property rights, and become market-oriented and self-financing.

Acknowledgment

This project relies on the science-technology program “Research on Key Technologies of the Construction and Collaborative Development of SGCC’s Industrial Ecosystem” of the State Grid Corporation of China (SGCC).

References

