

## ATTITUDES OF STATE-OWNED ENTERPRISES STAFFS TOWARDS GOVERNMENT FUNCTIONS IN THE REFORM OF STATE-OWNED ENTERPRISES IN CHINA

ทัศนคติของพนักงานรัฐวิสาหกิจที่มีต่อบทบาทของรัฐบาลในการปฏิรูปการรัฐวิสาหกิจ  
ณ มหาวิทยาลัยนานา สาธารณรัฐประชาชนจีน

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### Abstract

The state-owned enterprises (SOEs) act as a special type of enterprises, playing a decisive role in the national economy of China. In the new historical era of deepening reform in SOEs, the government plays a vital role. It is necessary to understand how the SOEs staffs view the government functions in the process of SOEs reform and their attitudes are helpful for effective management of SOEs. This study took the Yunnan Construction and Investment Holding (YCIH) Group in Yunnan Province as a case study.

Both qualitative and quantitative research methodologies have been applied through the tools of survey questionnaires and in-depth interview. For the quantitative approach, 400 questionnaires were distributed to the staffs of the YCIH Group to collect data, and percentage analysis was used to analyze the data. For a qualitative approach, interview to 8 senior executives was employed to gather the insightful information.

The findings from survey indicated that the most concerned element influencing the effectiveness of SOEs reform is government functions followed by organizational culture, incentives, leadership, innovation, external environment, individual attitude and human resources. The interview results showed that the key to the success of SOEs reform is that government fulfills its functions of macro-control, supervision and service.

**Keywords:** Government functions, Reform of SOEs, Effectiveness, Attitudes

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## บทคัดย่อ

รัฐวิสาหกิจ (SOEs) เป็นกิจการพิเศษซึ่งรัฐยังคงเป็นหัวหน้าของรัฐ ทำให้มีบทบาทสำคัญต่อสถานภาพทางเศรษฐกิจของประเทศไทย ในประวัติศาสตร์ยุคใหม่แห่งการปฏิรูปเชิงลึกของกระบวนการปฏิรูปรัฐวิสาหกิจ รัฐบาลมีบทบาทสำคัญในการบริหารจัดการ ดังนั้นการทำความเข้าใจมุมมองและทัศนคติของพนักงานรัฐวิสาหกิจที่มีต่อกระบวนการปฏิรูปรัฐวิสาหกิจจะเป็นประโยชน์ในการบริหารรัฐวิสาหกิจให้มีประสิทธิภาพ ในครั้นนี้ ยุนนาน คุณสตรัคชั่น แอนด์ อินเวสท์เม้นท์ โอลดิ้ง (YCIH) กรุ๊ป ในมณฑลยุนนานได้ถูกเลือกเป็นกรณีศึกษา

วิธีวิจัยที่ใช้เป็นแบบผสมที่ประกอบไปด้วยวิธีวิจัยเชิงปริมาณและเชิงคุณภาพระหว่างการใช้แบบสอบถามและการสัมภาษณ์เชิงลึก ในการวิจัยเชิงปริมาณได้เก็บข้อมูลจากแบบสอบถามจำนวน 400 ฉบับจากพนักงานบริษัทยุนนาน คุณสตรัคชั่น แอนด์ อินเวสท์เม้นท์ โอลดิ้ง (YCIH) กรุ๊ป และวิเคราะห์ข้อมูลโดยใช้ค่าร้อยละ ในส่วนของการวิจัยเชิงคุณภาพได้ใช้การสัมภาษณ์กับผู้บริหารระดับสูงจำนวน 8 ท่าน เพื่อรวบรวมข้อมูลที่ลึกซึ้ง

ผลจากการสำรวจพบว่า องค์ประกอบที่มีอิทธิพลต่อประสิทธิภาพของการปฏิรูปรัฐวิสาหกิจมากที่สุดเป็นบทบาทของรัฐบาลตามด้วยความเป็นผู้นำ วัฒนธรรมองค์กร นวัตกรรม ทรัพยากรบุคคล ทัศนคติส่วนบุคคล แรงจูงใจ และสภาพแวดล้อมภายนอก ผลจากการสัมภาษณ์พบว่ากุญแจสู่ความสำเร็จในการปฏิรูปรัฐวิสาหกิจคือ บทบาทของรัฐบาลในการดูแล ควบคุม และบริการในระดับมหภาค

**คำสำคัญ:** บทบาทของรัฐบาล การปฏิรูปรัฐวิสาหกิจ ประสิทธิภาพ ทัศนคติ

## Introduction

The reform of state-owned enterprises (SOEs) is closely related to the national economy (Walter, 2010: 83-108). Since 1978, China's SOEs reform has undergone for 30 years. After repeated exploration and practice, China's SOE system is realized from the initial highly centralized planned economy to the socialist market economy. Although the SOEs reform has made breakthrough progress, the reform of SOEs caused by economic and social life in the deep-seated contradictions and problems of institutional malpractice has not been fundamentally eliminated. This shows that the tasks of reform persist to be arduous (Allen, Jackowicz & Kowalewski, 2013: 13-25). The relationship between government and enterprises is one of the key factors influencing the success

of SOEs transformation. Therefore, how to properly contend with the relationship between government and SOEs is essential for the transformation and development of SOEs.

Without fundamental change the functions of government, SOEs reform may be hard to achieve (Lewis, 2003: 42-60). The functions of government can be explained in detail as the design and regulation of macroeconomic objectives, market planning related industrial policies and the development of industry regulations, market enforcement and supervision, the maintenance of social security (Leila & Huchet, 2006: 32).

By the end of 2016, there are 18 provincial SOEs in Yunnan. The provincial SOEs especially refer to the SOEs funded by the provincial State-Owned Assets Supervision and Adminis-

tration Commission (SASAC) with authorization by the Yunnan provincial government. Provincial SOEs play a strategic role in the economic development of Yunnan Province and they are the main force of economic development. According to the statistics from SASAC, by the end of December 2016, the total assets of provincial SOEs exceeded CNY 1,144.1 billion (1 CNY = 0.45 USD, Bank of China, 28 February 2017) with a year-to-year growth rate of 27.35%. Among the 18 provincial SOEs, there are three enterprises with total assets over CNY 100 billion, namely, Yunnan Construction and Investment Holding Group (YCIH), Yunnan Investment Group, and the Yunnan Metropolis Construction and Investment Group (YMCi).

After three major reforms, Yunnan Province adopted a series of appraisal classifications such as merging and reorganization, closing down outdated enterprises, and cultivating large enterprises for six years. Yunnan provincial state enterprises reached a new level and the pace of development was unprecedented. However, since the financial crisis in 2008, the Yunnan provincial SOEs have fallen into difficulties, and some deep-seated problems were exposed, such as low quality development mode, single industrial structure, resource dependence, and incompetent institutional mechanisms. It may be difficult to achieve sustainable development whether or not these problems have been addressed.

This paper tries to explore the attitudes of staffs of SOEs in Yunnan province towards government functions and the effectiveness of

SOEs reform with objectives to investigate and analyze the key factors contributing to SOEs reform, and identify countermeasures to explain the phenomenon in order to provide recommendations on how the government should embolden its functions to effectively support SOEs reform and improve corporate performance.

## Literature Review

### A. SOEs Reform

State-owned enterprises (SOEs) are the modern contract organizations with the features of system, goal and management to compensate for the market failures under the conditions of socialized production. The general nature of state-owned enterprises is mainly for its profitability, and this particularity stems from a certain social and economic system to provide to society. The duality of SOEs determines that it is supposed to have dual functions: profit and social (Wang & He, 2005: 124-128).

Reform of SOEs is associated with the reform of property rights system, funded by the state-owned assets so that those funded enterprises could carry out relevant implementation.

### B. the Role of Government in the SOEs Reform

The definition of the role of government is varied. Peng (2002: 218) recommends that, from the perspective of political positions, the government is the sovereign and the governor of the state. From the perspective of economy, the government is both an athlete and a referee.

From the perspective of promotion of reform, the government is both the reform promoter and reform object. In the process of economic and social development, government becomes the system provider and economic promoter. In addition, Liu & Xu (2010: 33-37) argued that the government can be categorized as one of four types: the “vigil” type, “intervention” type, “market promotion” type and the “management institution” type.

This paper investigated the role of local government in the reform of SOEs. Ju (2010: 36) proposed that, in the process of economic transition, the contradictions between laws and regulations and rules, the difficulties of ownership finance, and administrative mechanism of the management system, lead to the dislocation and dysfunction of the role of local government.

Xu & Tang (2000: 42-46) suggested that the local government needs to act as the ‘economic man’, to maximize its own interests. The local government chooses the ‘market transactions’ as an entrepreneur. As a ‘political man’, to accomplish political performance, the local government chooses the ‘irrational behavior.’ As a ‘moral man’, to maximize the interests of the community, the local government chooses to be the administrator of business and replace the market behavior.

With the deepening of SOEs reform, the topic of government function has attracted a wide-range of academic research. Samuelson (1986: 137-143) said that our economy is controlled by both government and market, producing and consuming jointly, so our economy

is a mixed economy, not a purely price economy. Shleifer (1997: 385-410) observed that the government may gain advantages by functioning in the following areas: to improve the legal system, to maintain national policy stability, to provide social services, to construct public infrastructure, and to protect vulnerable groups and classes. Sha & Qiao (2006: 198) disputed that the government should fulfill its role by following the principle of market economy, when necessary, regulating the economy, adapting the market, strengthening social management, and providing good public services.

### C. Government Functions

There are two views about government functions: one is the theory of state intervention government function. American economist Samuelson believed that in the context of market failure, the government should be clear from the scope of the law, improve economic efficiency and promote income equality to ensure economic stability and play the government functions (Samuelson, 1976: 466-492). Rawls (1988: 14) proposed that fairness and justice should be maintained on the principle of ‘maximum and minimum principle’. The other is the theory of liberal government function. Buchanan believed that the government should lessen its functions; the shortcomings of the market should not be entirely generated by the government (Buchanan, 1986: 3).

Through the analysis of above aspects, the author sets forth the views in the following way:

Firstly, government behaviors play a vital role in the reform of the SOEs.

Secondly, the government should define its role clearly in the reform of the SOEs and try to make it become a service-oriented government.

Thirdly, the government should fulfill its two main functions: economic management and public service in accordance with basic rules of market economy while pushing for reform of SOEs.

## Research Methodology

### A. Research Philosophy and Methods

Qualitative research focuses on the inner world of the researchers' own view of what they could observe. The most important research tool is the researchers themselves (Saunders, Lewis & Thornhill, 2009: 106-135). Simultaneously, quantitative research conducts an objective and impartial study of social phenomena; more specifically, the researchers should be completely separated from the study so as to avoid bias. Therefore, applying the qualitative studies together with the quantitative studies may be useful to strengthen the approach to determine the nature of phenomenon (Bryman, 1984: 75-92). During the process of quantitative research, the researchers should also take advantage of qualitative methods to determine the quantitative bound and causes to the qualitative changes of the phenomenon (Remenyi & Williams, 1998).

### B. Population and Samples

This is a case study on the attitudes towards government functions and effectiveness of SOEs reform. The Yunnan Construction and Investment Holding (YCIH) Group was selected as a unit of study.

The total number of organizational members in YCIH is more than 30,000 with 63 subordinated units. 500 sets of the survey questionnaires have been distributed and a total of 400 completed survey questionnaires were received, which amounted to a response rate of 80%. The informants are department managers, supervisors and organizational members in YCIH. In addition, semi-structured interviews have been conducted with 8 senior executives from the 63 subordinated units. The data were collected during October to December, 2016.

### C. Research Instruments

The paper applied the research instruments including questionnaires and interview.

Firstly, the author applied questionnaires to examine the hypotheses in this study. The data analysis was completed mainly adopting percentages analysis by SPSS version 17.

The questionnaire design adopted the standard five component forms, where 1 was the comment least agreed with and 5 the most agreed with.

In this research, Cronbach's  $\alpha$  coefficient was adopted to determine the internal consistency of the scale. Table 1 in the appendices shows the Cronbach's  $\alpha$  coefficient statistics for employee's attitudes on company reform and government functions. The overall Cronbach's  $\alpha$  coefficient of the total scale is equal to 0.923, implying that the overall reliability is satisfactory. The author also calculated the scale of each dimension of Cronbach's  $\alpha$  coefficient, implying that the internal measurement consistency is reliable.

**Table 1** Cronbach's  $\alpha$  coefficient

Factors	Cronbach's $\alpha$ coefficient
Total scale	0.923
Organizational culture	0.898
Leadership	0.906
Government functions	0.913
External environment	0.774
Individual attitude	0.825
Human resources	0.842
Innovation	0.877
Incentives	0.806

Secondly, the in-depth interview technique was applied. The in-depth interview asked respondents to sum up their own experience,

perception and reflection regarding the transformation of government functions, focused on their practical experience. This interview adopted three approaches of telephone interview, online interview, and face-to-face interview, with a total of 8 respondents.

## Results and Discussion

### A. Quantitative Methods

The author used percentage analysis to analyze the attitudes across the eight factors influencing SOEs reform. The eight factors are: (1) Organizational culture; (2) Leadership; (3) Government functions; (4) External environment; (5) Individual attitude; (6) Human resources; (7) Innovation; (8) Incentives.

The results are presented in the table below:

**Table 2** Percent of the Staffs in YCIH by their Responses to 8 factors (N = 400)

Factors (Indicators)	Totally agree	Mostly agree	Agree	Sometimes disagree	Totally disagree
Organizational culture	34.6	29.4	23.8	8.1	4.1
Leadership	33.7	32.2	19.5	9.4	5.2
Government functions	43.9	30.1	14.4	8.9	2.7
External environment	19.0	21.8	38.3	11.7	9.2
Individual attitude	26.4	27.6	17.5	25.1	3.4
Human resources	24.8	27.1	12.2	27.7	8.2
Innovation	21.6	28.9	32.3	4.0	13.2
Incentives	17.3	32.5	37.1	9.4	3.7

It can be determined that out of 400 respondents, 87.8 percent of respondents believed (totally agree, mostly agree and agree) that organizational culture plays an important role in the SOEs reform, while 85.4 percent of respondents had a positive attitude toward leadership in the reform of the group, 88.4 percent of respondents had confidence in the significance of government functions in the reform of the company, 79.4 percent of respondents agreed that the external environment would influence reform of the company, 71.5 percent of respondents stated that the individual attitudes would matters in the reform, 64.1 percent of respondents held that human resource may help to increase the effectiveness of reform, 82.8 percent of respondents agreed that innovation should be conducive to the promotion of reform and 86.9 percent of respondents believed that incentives could encourage the reform.

In sum, in the organizational members' opinions, the most concerned element influencing the effectiveness of SOEs reform is government functions followed by organizational culture, incentives, leadership, innovation, external environment, individual attitude and human resources.

#### B. Qualitative Methods

The results of essential elements from interviews were categorized correspondingly as the supervision, macro control and public service function of government.

##### 1) Government Supervisory Function in the Reform of YCIH

In terms of supervisory behaviors, the SASAC of Yunnan Province on behalf of the provincial government fulfills the responsibility of state-owned assets supervision and establishment of the corporate party and leadership team. (Li & Liang, 2016: 199-212).

The senior executives in the interview stated that in recent years, in order to further strengthen the supervision and management of provincial state-owned assets, the provincial government and the provincial SASAC issued a number of "opinions", and "approaches." At the same time, it constructed the corporate governance structure which conforms to the requirements of modern enterprise system, standardizes the enterprise supervision, decision-making and implementation mechanisms, and establishes the management method of state-owned assets. However, the responsibility of supervision and management is not very clear: the provincial SASAC fulfills only the responsibility of the provincial government, so the SASAC cannot monitor or constrain the SOEs in the conduct of some of the behavior of managers as the real owner of the asset.

##### 2) Government Macro-control Function in the Reform of YCIH

The interviewers mentioned that during the reform of YCIH, the local government has involved in the whole process of reform in various ways. The important macro-control function has contributed to the smooth progress of the Group's reform. The behaviors are specified as "the local government acts in accordance with the relevant laws and regulations

stipulated by the state and strictly regulate the reform of provincial SOEs.” “As one of the largest SOEs in Yunnan, the reform program of YCIH will also have the participation of the provincial government, and the government plays an important role in the approval of all the large programs.”

### 3) Government’s Public Service Function in the Reform of YCIH

It was learnt from the interview that in the reform of YCIH, the government also fulfills the public service function to serve the Group’s reform, such as “Use the power of the government to clear the obstacles for the smooth reform of the group.” “Establish a social service and security system.” “The government provides a variety of services in the form of social and business to establish a service-oriented government.”

## Conclusion and Recommendations

Regarding findings mentioned in the previous part, this part tries to put forward some countermeasures and suggestions for the local government in the reform of SOEs in Yunnan province.

### A. Change and Accurate Positioning the Role of Government in the Reform of SOEs

The role of government in the reform of SOEs is an important part of the reform of SOEs system environment. Therefore, to find out what the government should do and

should not do, the consideration of SOEs, government functions, and role orientation are supposed to be clarified. Firstly, from the perspective of public administration theory, the function of government is to provide services for social operation and development. The government functions should meet the needs of management and social services. Secondly, from the perspective of relationship between the government and enterprises, the government functional adjustment may need to be the priority in the SOEs reform. Therefore, when considering the relationship between government and business, it should first be clarified how SOEs could be improved, and then carry out the government function positioning according to the objectives of SOEs reform.

### B. The Government Should Pay Attention on Providing the Service Function

With the continuous evolution of the economic system, the current role of the government is mainly as a public servant. For the government, it is necessary to clearly understand the responsibilities of government and market, regulate the relationship between government authorities and enterprises, and separate the ownership and management rights so as to effectively promote the reform of SOEs. The government should establish and improve a series of social service systems in order to promote the success of the reform of SOEs.

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