

# Research on the Operating Mechanisms of the Modern Enterprise System and the Perfecting Measures

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In this thesis, by way of investigating and analyzing 100 experimental enterprises of establishing modern enterprise system in Henan province, we'll point out difficult points and existent problems in the process of reforming state-owned enterprises, and offer measures and proposals for the establishment and perfection of modern enterprise system. The establishment and perfection of modern enterprise system is the aim of reforming state-owned enterprises.

1. Great achievements have been made in establishing modern enterprise system in experimental enterprises.

(1) Incorporation system is being established gradually, and legal-person-managing structures have been formed basically. By the end of 1998, 86 of 100 experimental enterprises had been system-transformed into incorporations, 84 system-transformed enterprises had established director boards, and 45 companies limited by shares and limited-liability companies had established the general meetings of shareholders' representatives.

(2) The investor system has been preliminarily established. Investors mainly comprise of authorized investment institutions of state-owned assets, administrative departments of the trades and professions, foreign investment institutions, enterprises, persons, and other sections, which marks that administrative subordinate relations between enterprises and government departments have been transformed into economic relations between enterprises and investors.

(3) The circumstances of multiple investors are forming. The formation of multiple investors' marks that state enterprises can finance not only from enterprises, the government, and state-owned banks, but also from other sources. So the establishment of state enterprises will be greatly advanced.

(4) The functions of governments have been further separated from those of enterprises, and the powers of enterprises to make their own decisions are enlarged. 83% of the system-transformed enterprises think that they can willingly make decisions about important investments. 98% of the general managers of these enterprises can organize the enforcement of investment proposals in the market demands and draft the company's work on production and management control, and organize the enforcement of director board's decisions. 82% of the general managers have powers to apply to hire or fire vice-general managers and persons in charge of fiscal affairs. Middle managers used to be commissioned by governments, and now they are hired by general managers or by way of general managers' offering proposals to director boards.

(5) Major importance attached to scientific management, reinforcement of enterprises' vigor, improved operating capabilities. Scientific management is the basic stone of the modern enterprise system and the eternal subject of enterprises. Taking opportunities of establishing the modern enterprise system, 100 experimental enterprises in Henan province will reinforce internal management, adjust internal and strengthen nuclear capabilities of enterprises.

2. Problems in the process of reforming 100 experimental enterprises and causes thereof.

(1) Legal-person managing structures in incorporate enterprises are not standard.

The functions of stockholders' meetings and director boards are not standard yet, the functions of boards

of supervisors are difficult to be brought into effect, and the methods of commissioning top managers don't adapt to the demands of the modern enterprise system yet.

(2) The excess of wholly state-owned enterprises. The end of 1998 had transformed 35 experimental enterprises in Henan province transformed into wholly State-owned companies, which account for 40% of the system-transformed enterprises and are only next to companies limited by shares.

(3) Problems of "Proprietor Absence" haven't been well solved. The problems lie in three-aspects. The proprietor's agents' sense of obligations isn't strong. The disposal of powers of property rights' representatives of state assets is a mess.<sup>30</sup> The functions of governments can't be really separated from those of enterprises, which coexists with the phenomenon of "Insiders control". (4) Policies on the tax system are not fluent, and really fair competitions are wanting. (5) Reforms of enterprises are not coordinated with social reforms, the transformation of governments' functions is lagged, and relative policies on the reforms can't be fully brought into effect.

3. Basic measures for establishing and perfecting modern enterprise system. Establish the system of state assets' investors. In order to establish the system, we must reform the traditional managing structures of state assets. Enterprise groups, which incorporate investment companies, holding companies, assets management companies, and assets management, can become intermediary institutions of state assets management. The groups are of enterprise character, and managerial objects of them are property rights. Their obligations are to carry out proprietorship management and bear the responsibilities of main trace-of-value and increase-value to the authorized-scope state assets of enterprises by ways of sole management, holding shares, participating shares, and etc.

(1) Reasonable disposals of share rights, and reinforcement of the proprietor's binding functions. By analyzing the models of equity structures of foreign incorporate-enterprises and combining with our country's actual conditions, the equity-structure model of our country's competition-type state incorporate enterprises should be that state holding companies, banks, mutual-holding enterprise legal persons connected with business, fund organizations, other enterprise legal persons, social public, workers in the home enterprise, and etc. participate in holding shares.

(2) Reinforce the organizations' establishment in the managing structures, and establish the organization system of clearly stated rights and duties. The director board should be composed of four parts of the enterprise, and specialists and researchers hired from the outside.

4. Strengthen coordinate reforms and perfect macro circumstances. Policies in the process of reforming state enterprises must be fully brought into effect, state enterprises' capitals should be raised from multiple sources, and the rate of assets and liabilities should be lowered. Persons in charge of state enterprises' management control should be hired by director boards instead of commissioned by governments. The principle of "the Party Manage Carders" should be organically incorporated with the director boards' selecting persons in charge of management control according to law. Governments should create the circumstances of fair competition for enterprises.

5. State enterprises should be reformed according to classifications.