



# Reform of state owned enterprises and challenges in China

Reform of state owned enterprises

279

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## Abstract

**Purpose** – This paper aims to provide a review of the challenges facing the reform of SOEs, and to address the impacts of SOE reform on business executives, on the base of literature review and empirical data collected in Guangzhou, China.

**Design/methodology/approach** – A qualitative research on the base of literature review, supported by empirical data collected from surveys, interviews, and focus group discussion.

**Findings** – Although China has made significant achievement in economic reform and the transition into a market system and civil society since 1978, there are still fundamental challenges associated with the reform of state owned enterprises (SOEs). It seems that privatisation will not necessarily solve the complex problems associated with SOEs. This paper suggests that a balanced approach reflecting the best of SOE provision and triple bottom line management appears to provide the best way forward for continuing prosperity in China. The current direction of SOE reform seems to have been driven by privatisation and economic rationalism, rather than a more balanced economic and social strategy. If this trend continues, the challenges for business executives, and the general society, can be overwhelming, and not lead to a more sustainable economy, let alone society, in the medium to long term.

**Originality/value** – Reform of SOEs has impacted on China fundamentally. Against the common view that business managers are the social group that is benefiting from SOE reform, this paper focuses on factors affecting the economic and social status of business executives, especially the challenges associated with the reform of SOEs. Supported by primary and secondary data sources, it draws attention to the situation that although the economic and social status of business executives continues to rise in China, insecurity and stress on business executives are growing. Reforms associated with changing SOEs are viewed as possible sources of challenges facing the Chinese economy and business life. Current SOE reform seems to have focused on the economic bottom line. A more balanced approach in the reform of SOEs is suggested for a more sustainable economy and society.

**Keywords** Business administration, Career development, China, Management effectiveness

**Paper type** Research paper

## 1. Introduction

China is changing from a tightly controlled communist regime, established in October 1949 when the People's Republic of China (PRC) was declared in Beijing, to a much more laissez faire giant pursuing "socialism with Chinese characteristics", a progress that started in 1978 with the "open door" policy and economic reform (Wen and Tisdell, 2001).



China has achieved well in its fundamental objective of increasing national income, especially per capita national income. There has been a remarkable growth in GDP to the order of 9.5 percent per year on average (SSB, 2002). Many private and foreign enterprises flourished. The township and village enterprises were the most dynamic elements for growth in the 1980s and early 1990s. By as early as 1996, state enterprises accounted for only 28.5 percent of total gross industrial output value, while collective-owned, individual-owned, and other types (including foreign) of enterprises accounted for 39.4, 15.5, and 16.5 percent,, respectively, (SSB, 1997, 2002) The secret of success of China's economic reform has been perhaps to allow the nonstate sectors to develop in setting a market economy.

However, there are still fundamental problems associated with SOEs. Simple privatisation will not solve all the problems, and may create new problems in the process. There is a need to identify the emerging challenges associated with SOE reform, especially from the angle of those who are directly affected by the reform.

Since, challenges facing managers are the focus of the research, a qualitative empirical study was undertaken in Guangzhou from 2003 to 2005. In order to validate the hypothesis that the speed and direction of economic reforms and the privatisation of SOEs has made the lives of business executives more challenging and complex, Chinese business executives including senior and middle level managers in a range of industries were included in the study.

This paper begins with a historical review of China's transition from 1979. Problems with SOE reform are then discussed. Analysis of the empirical study is presented as evidence of challenges related to SOE reform. The conclusion follows with some policy analysis.

## **2. Overview of China's transition**

China has been undergoing a process of transition from a centrally planned economy to a market orientated economy since 1978, including deregulating the state sector of the economy, restructuring state owned enterprises and banks, dealing with non-performing loans and deregulating the private sector. China's economic structure has undergone significant change, with the private sector increasingly displacing the state owned and collective sectors, and manufacturing and services expanding at the expense of agriculture (Mina and Perkins, 1997).

In 1978, the Third Plenary Session of the 11th National Congress of the Chinese Communist Party opened China to the outside world and launched economic reform. It was announced that the Party would retreat from the ideological struggle and focus on economic development. Reform commenced with the decollectivisation of agriculture in 1978 and advanced gradually throughout the first half of the 1980s to encompass much of Chinese industry. Reform measures included the introduction of a two-tier price system for most commodities, enterprise taxation, a revenue sharing system between central and local government, a wage system with a closer link between wages and productivity, and banking finance for enterprise investment. Four special economic zones, and 14 open coastal cities were set up, symbolising the implementation of an open-door policy in China. China has been implementing policies on an experimental basis before adopting policies across the economy. New liberalisation initiatives were often tested first in special economic zones and the coastal regions before they were implemented nationwide. This approach in fact

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contributed to the growing economic gap between the affluent East coast and China's inland area (Wen and Tisdell, 2001).

Between 1988 and 1991, reforms slowed during a period of retrenchment due to concerns about the social and economic costs of reform. The political event of June 1989 led to a sudden pause of economic reforms, and as early as 1988, the overheated economy and problems that emerged from the double-track system forced the government to formulate a "rectifying" policy. Priority was given to economic improvement and rectification and deepening of the reform. The period since 1992 and Deng's Southern Tour has seen a renewed political commitment to reform, enshrined in the Party's adoption in October of that year to the goal of establishing a "socialist market economy".

Since 1992, China's economic reform has gained momentum, fuelled by further liberalisation outlined during Deng's (2002) Southern Tour speech and in the decision of the third Plenary session of the Fourteenth National Party Congress in 1992. The Congress adopted the concept of establishing a complete market structure, a "socialist market system" (SSB, 1995). In his influential tour to southern China in early 1992, the former paramount leader, Deng Xiao Ping called for the quickening of the pace of reform and no further arguing as to whether the reform policies should have the name "socialist" or "capitalist", as he put it in vivid saying "As long as a cat can catch a mouse, it is a good cat regardless of whether it is white or black". In the same year, the Political Bureau of the Central Committee of the CCP made a "resolution on the acceleration of reform and the opening to the outside world". Developing a strong institutional framework to support this market economy has also emerged as a key priority, including taxation and budgetary reforms and legal and regulatory measures to further the role of the central bank and measures to improve the operation of capital and foreign exchange markets.

Recent economic reforms are more systematic and fundamental than the economic reform of the 1980s. Instead of partial liberalisation in areas that requires urgent attention,

The Government has adopted a package of policy changes including reform of property rights, SOEs, factor markets, prices, goods distribution, social security, foreign trade, government functions and other important aspects of the economy (Liu *et al.*, 2006)).

### 3. Reform of SOEs

SOEs continue to play a significant role in Chinese economy. In 1994, China had more than 102, 000 SOEs, representing only 1 per cent of the total number of enterprises, but employing 75 of the urban industrial workforce (43 per cent of industrial workforce including township and village enterprises), 57 per cent of new investment and 70 per cent of bank loans (EAU, 2002).

The reform of SOEs continues to be difficult even after 15 years of reform. By 1996, half of China's SOEs reported losses, and it was estimated that a further one third of SOEs actually made losses although they report profits (Ma *et al.*, 1996). Even with support from the government, such as interest cut, debt-equity swap, and debt write-off to reduce SOEs' heavy debt burden, and an injection of Renminbi 360 billion into SOEs from 1997 to 2000 (Sun and Tong, 2003), the overall performance of SOEs has been poor in comparison with the non-state sector according to such indicators debt to asset ratios, value added per worker, growth in output and employment (East Asia Analytical Unit, 1997). Current problems of SOEs in China and their sources are linked to the following issues.

### *3.1 Poor profitability*

Profitability is perhaps the most straightforward indicator in accessing the success of an enterprise. Profit is the sum of the positive profit of profitable enterprises and the negative profit (losses) of loss-making enterprises in China. The profitability of SOEs has been chronically declining over the reform period (Choe and Yin, 2000). Total loss of industrial SOEs increased from 5.4 billion Yuan in 1986 to 83.1 billion Yuan in 1997, and in 1995 alone, about 40 percent of SOEs made losses (Huang and Duncan, 1997). The annual growth rate of industrial output value for SOEs has been significantly below those for collective-owned enterprises, individual-owned and other ownership enterprises (Choe and Yin, 2000).

Holz (2002) questions the view that non-SOE profitability by far exceeds that of SOEs. He argues that although various industrial SOE profitability indicators indeed all declined over time, but so did profitability of non-SOEs. The dissimilarity between SOE and non-SOE profitability lies not in the time trend, but in an over time for most profitability indicators rather constant gap in favor of non-SOEs (Holz, 2002). Nevertheless, estimating the extent of loss making is difficult in China, because the managements have control over whether to report profits or losses, resulting in scope for creative accounting. (Ma *et al.*, 1996).

Most blame for SOE low profitability goes to the heavy social obligations, excessive labor, outdated equipment, distorted output prices, soft budget constraint and unfavorable tax position of SOEs (Dong and Putterman, 2003). SOEs face such constraints as heavy social responsibilities or inappropriate incentives to provide excessive benefits for workers resulting in financial burdens for SOEs, inadequate incentives to reinvest in enterprises resulting in outdated technology and equipment, large debt to assets ratio in many SOEs, over-staffing and redeployment problems, and inadequate sources of motivation for business executives and workers (Dong and Putterman, 2003).

Governments in transition often uses SOEs to provide public goods and services, and then financing the resulting social burdens on SOEs by means of subsidies and policy loans, distorting market signals and firm strategy. Such reform strategy, especially continued government involvement in business decisions, is criticised as likely to exacerbate the problem of labor redundancy and low productivity instead of fostering greater efficiency and profitability (Dong and Putterman, 2003).

### *3.2 Low total factor productivity*

Studies have estimated the change in total factor productivity (TFP) of SOEs since the reform and their results are varied. Some researchers believe that TFP growth in SOEs to be low and lagging behind that in enterprises in other ownership forms, and that TFP growth in collective-owned industry consistently outpaced TFP growth in the state sector from 1980 through 1992 (Jefferson *et al.*, 2000; Laurenceson and Chai, 2000). Huang and Meng (1995) reported negative TFP growth for the state industrial sector during the period of 1985-1990 (Choe and Yin, 2000).

### *3.3 Labour redundancy*

Low labour productivity and overmanning emerged as a widespread phenomenon in China's SOEs during the reform (Dong and Putterman, 2003). It was expected that SOE overstaff could be gradually absorbed by private enterprises and the economy could grow through converting redundant SOE workers into active labor force. However, reform has not accomplished this task.

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Although SOE business executives are assigned the power to dismiss workers, they are reluctant to exercise this right mainly because labour shedding may cause social and political disruptions in the absence of social welfare system, as indicated by hunger strikes and demonstrations organized by dismissed employees in parts of China (Mai and Perkins, 1997). Laid-off workers of SOEs can only receive a minimum living allowance of around RMB 200 per month, or a proportion of a basic wage from the SOEs. They have become a new sub-culture of urban poor. The fear that large-scale dismissal of SOE workers causing social instability is fueled by the fact that labour markets are underdeveloped and the social security system is underdeveloped (Mai and Perkins, 1997).

SOE workers are reluctant to move to the private sector due to the fact that they do not have the required skills, and that the life time employment is supplied in the state sector while jobs in private enterprises are more demanding and risky. Most companies in the private sector do not supply welfare services as medical care, housing, or child care (Dong and Putterman, 2003). Many SOE business executives feel their main objective is to maximise employment, and are hesitant to dismiss workers unless the enterprise faces financial collapse (Mai and Perkins, 1997). Dong and Putterman found that hardening budget constraints without concomitant relaxing of the social burdens of high taxes, employment, and social welfare maintenance was a major cause of the rising labor redundancy in SOEs, based on their study around 700 SOEs (Dong and Putterman, 2003).

#### 3.4 *Principal-agent factor*

Principal-agent models have been applied to explain SOE problem. Cauley and Sandler (2001) held the view that the principal is the manager, while the agents are the workers, to show why reforms of SOEs did not have their intended consequences. They proposed that because the reforms failed to translate bonuses to managers into performance-based payments for the workers, worker as agents were not being rewarded according to performance, high effort did not become a dominant strategy through the implementation of an appropriately designed incentive mechanism in the face of random events. From a different angle, Zhou and Wang (2000) designated state as the principal and the manager as the agent to explain the current crisis with SOEs. They showed that agency cost, arising from either a risk premium to the agent or unnecessary constraints on the agent, inhibited performance of SOEs.

In addition, Qiang (2003) pointed out the existence of multiple series of principal-agent problems among central government, line ministries, local governments and managers in SOEs, where the state assumes the role as representative of the people and acts as the principal on behalf of the public, but the controlling authorities, e.g. central government line ministries and local government, which exercise *de facto* ownership rights over PLCs in reality do not bear any residual risks over the control and use of an SOE's assets (Qiang, 2003).

The asymmetry of information may exacerbate the principal-agent problems in SOEs. This becomes acute when most managers selected by the government during privatisation of SOEs are former managers of the same enterprises, who have better internal information that can be translate into a more accurate assessment of profitability and capacity of the enterprise (Chen, 1995). Managers have the motivation to hide the production capacity in order to lower the profit target in negotiations with

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the government. Without proper monitoring by the government, managers will also have incentives to manipulate actual profit Figures (Choe and Yin, 2000), making SOE operation even more complex.

### *3.5 Autonomy*

Autonomy of SOEs is limited. An important component of establishing the modern enterprise system is to continue to update technology and equipment in SOEs and to shift more efficiently as a response to the market. It becomes difficult for SOEs to respond to market signals due to its bureaucratic hierarchy. Smaller SOEs in the same industry need to be merged to achieve economies of scale in production, and cross provincial corporation is often required to achieve better efficiency. However, due to the intervention of government officials who wish to establish their own credit, projects with no regard to the need to industry or market have occurred widely in China. Business executives do not have the autonomy to dismiss surplus workers and, consequently, they were unable to adjust their labor forces in response to changes in market and technology. As a result, the output share of industrial SOEs fell by more than 50 percent, whereas their employment share declined by only less than 20 percent (Dong and Putterman, 2003).

SOE managers receive mixed signals and their ability to manage the company may be compromised as a result (Qiang, 2003, Wen and Moore, 2005). Since SOEs are often responsible for providing education, housing, healthcare, and social security for their workers, while one set of bureaucrats may exhort a business executive to strive toward productive efficiency, other bureaucrats may be reluctant to surrender their claims on the SOEs as a provider of social services. The state, as shareholder, is represented by bureaucrats, who are supposed to ensure that business executives run the firm efficiently. Bureaucrats have little incentive for diligently running the firm because they are neither rewarded for good nor penalized for bad performance (Andrews and Dowling, 1998).

### *3.6 Market mechanism?*

The weak role of market mechanism serves perhaps as the most fundamental problem of SOEs in China. Neither the market discipline nor public governance works to direct SOEs, and the separation of ownership and management continues. When company board members and business executives have a corresponding status of civil service, remuneration and promotions still rely on the assessments of their superiors in the political hierarchy rather than market performance, market mechanisms cannot work (Qiang, 2003; Wen, 2005).

### *3.7 SOE reform and challenges*

China's goal is to create a "socialist market economy with Chinese characteristics". While it is unclear how these Chinese characteristics will be expressed in practice, there are indications that this model envisages a strong role for the state and continued close cooperation between the state and the business sector. Among those economies that rely primarily on the market mechanism to allocate resources, there is no single definitive model of the appropriate role for the state in economic management. Rather, a wide variety of selective interventions in the economy can occur.

Nevertheless, the economy still faces serious inter-related challenges which the Chinese government recognises it must tackle to maintain strong growth. China still follows the mentality of economic expansion instead of reforming the imbalances in the

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fundamental structure. It was the former president Jiang Zeming's dream that "on the basis of optimized structure and better economic returns, efforts will be made to quadruple the GDP of the year 2000 by 2020" (Jiang, 2002), despite problems in the society.

Regionalism creates obstacles for development. "We must get rid of trade monopolies and regional blockades to allow free movement of goods and production factors on markets around the country" (Jiang, 2002). The emergence of two Chinas – the rich in the coastal and major urban areas, and the poor China of the western and rural areas- is a major challenge for Chinese authorities (Wen and Tisdell, 2001).

There are significant problems related to the labour market reform. Job security has largely disappeared, and there are serious inequities emerging in workplace arrangements. While economic reform has profoundly changed China's labour market, the process of change has been gradual and incremental but it has had enormous impacts at the societal, and individual worker level. As many as 11 percent of urban workers have been retrenched, and 53 percent of these remained unemployed (Appleton *et al.*, 2002; Leung and Nann, 1996).

China is an economy in transition between plan and market. While the market mechanism now has been introduced throughout most of the economy, the complex task of establishing the necessary institutional framework to underpin and facilitate the operations of a market-based system is still in progress. However, it is clear that China's transition to a market is advancing strongly, and that this process is irreversible (EAU, 2002).

Unfortunately contradictions are deeply rooted in the Chinese traditional value system may prevent economic institutions from changing rapidly, resulting in institutional inertia, including lack of information, lack of knowledge, social and political pressure affecting economic decisions, and simply persistence of customs and habits. Such inertia may explain the difficulties encountered in reforming the state enterprises and the banking system.

One most important problem in China today is the lack of well-trained business executives and supporting mechanism for change, including human resource management systems. Another element is the tendency to retain the old ways of doing things. In many state enterprises, which have been changed to shareholding companies, the shareholders still elect the same governing people to the new board of directors and there is no significant change in management. One can explain this partly by political and social pressure. Therefore, we cannot expect that Chinese state enterprises and banks can be changed to modern institutions in a few years simply by enacting new laws and encouraging top down reforms. The total reform of these institutions will be a slow and gradual process.

Therefore, how is the society coping with the challenges in association with transition and SOE reform? The next section attempts to relate the emerging challenges of SOE reform to Chinese business executives. The research focused on the practical impact of the reform strategy for business leaders and its professional and personal challenges. In relation to economic and class differences, the business executives included in the research represent the emergence of a new executive class of Chinese business executives. While gaining a foothold in the new economy and international business, they are also experiencing negative impacts as a result of SOE reform in China, and if this privileged class are experiencing significant stress as a result of intensification of

work, reduction of State support, and the international business environment, it can be surmised that other economic groups, particularly working classes, are experiencing even more severe impacts associated with SOE reform.

#### **4. Empirical studies on the challenges of reform for Chinese managers**

The sample was selected from Chinese business executives undertaking MBA studies at the Sydney Graduate School of Management (SGSM) of the University of Western Sydney (UWS) joint venture with Kingold Education Centre, located in Guangzhou, southern China. Altogether 236 samples have been collected among Chinese business executives completing their MBA program. Among them, 151 were males, and 85 were females. Sampling was voluntary with over 90 per cent response rate. Seventy-five subjects were surveyed in June 2003; 84 subjects were surveyed in October 2003 and 77 samples were collected in June 2005.

These business executives could be seen to represent a new element in China's burgeoning economy. They were all well informed about the economic reform and its impact on industry and organization. They were open and informative, and extremely committed to their work and professional development. In fact the MBA they were studying required them to complete 1 core unit per month over 12 months, with attendance at lectures over two weekends (Friday evening to Sunday evening), an essay due the following weekend and an exam on the 4th weekend of each month. Many commuted to university from outlying regions and cities. Their study commitment was on top of full-time leadership and management roles in many of China's leading businesses.

Of the Chinese business executives in the sample the majority were married or partnered, their ages ranged from mid 20s to late 40s with most falling in the 30-35 years category. Most of those who were married had one child. More than half worked for large international companies, mainly European or North American, with the remainder employed in state-owned enterprises undergoing major economic reform and partial privatisation. The subjects were asked questions about the impact of economic transition and SOE reform on their industry, their organization, position and role, what was important to them about their work, and their aspirations and concerns both personally and professionally in a rapidly changing environment.

A brief analysis of the survey data follows.

##### *4.1 Demographic data*

The age distribution shows a heavy concentration towards 31-40 years, reaching 56 percent of the total sample. Although the average age of the business executives in the sample was around 35, a significant number, or over 20 per cent of the respondents, did not complete this item. During more detailed discussions, the researchers were given many examples of the ageism in recruitment and promotion, resulting in fear of indicating their age.

The skewed nature of the gender distribution (two thirds male) in the surveys reflects the focus towards the gendered nature of management in China. The 2005 proportion of male to female MBA students is in dramatic contrast to the decreasing numbers of female business executives' entry into MBA programs in China (Cai, 2004). In this SGSM-Kingold MBA program, the proportion of women business executives in the program has fallen from approximately 50 per cent in intake one in 2001 to less than 20 per cent in intake seven in 2005.

4.2 Changes in ownership and industry sector

As shown in Figure 1, only 30 percent of the respondents were in the SOE sector. Significant shifts in ownership patterns can be observed in this period. Proportion of samples from SOEs dropped markedly, so did those from joint ventures, while samples from solely foreign owned and transnational companies rose sharply. This indicates the declining economic power of the State sector, and the shift from joint ventures to solely foreign owned ventures when FDI adjusts its entry criteria in China.

Traditionally, SOEs and the public sector have supported equity and HRM programs much more actively than the private sector, reflecting a global pattern. For this reason, the burgeoning Chinese private sector dominated by transnational companies appears to be less active in supporting employees. The sample reflects significant changes in industrial production in China. For example, the proportion of sample business executives from manufacturing fell from 32 per cent in the survey conducted in 2003, to 20 per cent in the survey in June 2004, reaching an average of 25 per cent across all three surveys. Contrasting trends occurred in the finance, IT, and services/sales industries, where significant increases occurred in this very short period.

4.3 New career changes

A decrease in average length of employment with the same organization was apparent in the study, and was supported by numerous examples. The researchers were told that the average time spent in organization has decreased from 6 -8 to 2 -5 years, with younger business executives being more likely to move more frequently. However, women business executives and older business executives were less mobile. This also reflects the decrease significance of business executives from SOEs in the sample, as traditionally SOEs have been long-term employers with significant budgets for training and career development.

4.4 Reform and career pressures

When asked whether reform has made business executives' situation more difficult, most considered reform has improved their career opportunities. This reflects the general overall improvement in economic life and opportunities across China, particularly in southern China. A surprisingly high Yes response (over 53 per cent) for the question on whether increasing demand on employees has made business executives' lives generally more difficult, reflects the common feeling of rising pressure and increased stress.

However, decreasing social and family support for child rearing, and continued commercialisation of education, led to over 40 per cent subjects believed life for women

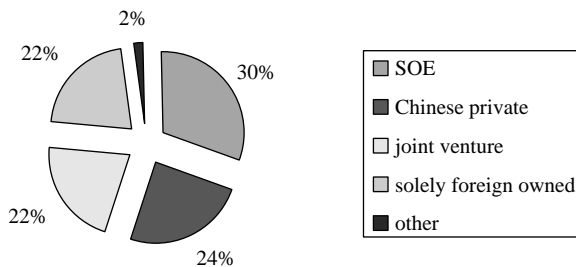


Figure 1.  
Ownership of the  
correspondents'  
organization

business executives was becoming particularly difficult, as women are responsible for most unpaid work and family support for child and elder care.

*4.5 Lack of career advancement and promotional opportunities*

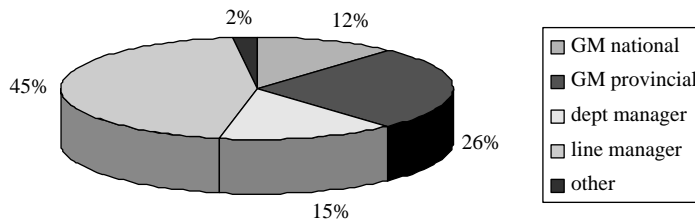
The business executives they were often extremely successful, particularly in international business, because of their skill levels and personal qualities which meant that they were very well regarded by senior business executives. However, they also reported that it was very difficult for Chinese born business executives to get beyond middle level and operational management roles. Few Chinese business executives were CEOs or members of top executive teams in the enterprises they worked in, particularly in international businesses, as shown in Figure 2. This seemed to be a serious concern warranting further attention, particularly as business executives were outperforming many of their superiors from overseas background. The lack of opportunity to work internationally is considered a serious career limitation, and few had worked overseas.

Mentoring was minimal, with formal processes totally absent. Mentoring that was available was informal and inconsistent. Although most of the samples were optimistic about their career opportunities, there are warning signs for their professional advancement. For example, female business executives were particularly working in four management areas, sales and marketing, human resources and finance, and administration (Cai, 2004), while men were clustered in information technology, operations, and other specialist areas. This means limited opportunities for Chinese business executives to assume leadership roles unless they gain more generalist experience in finance, general management, and strategy.

The dominant proportion of line business executives in the sample (45 per cent) reflects two factors. First, a shift from systemic company support (paying for the tuition and time allowance), to a more individually focused position (functional and line business executives are paying for their studies to advance their careers to more strategic and general management roles). Second, a more competitive market, and pressure to strive for better qualification in order to adapt to demanding jobs and Short-term roles.

*4.6 Economic reform and employment contracts*

The subject agreed that quality of working life was not actively considered in China. Human resource management and industrial management are minimal, while command and control style management remains firmly in place. For example, salary packages or employment contracts are designed in such a way, including performance based payment and high percentages as being at risk, where business executives are under enormous pressure. Only one business executive surveyed in 2005 was not subject to a largely performance based payment contract. This represents an enormous change in a three year period. On the one hand, this represents a more flexible



**Figure 2.**  
Their roles and positions  
in businesses

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employment approach. However, it is not supported by commitment to workers' rights and entitlements. The international media and union movement are acutely aware of the repressive situation for Chinese labour, including its executive class, but are largely powerless to influence its direction (Moore and Wen, 2004).

At individual firm level, many business executives accepted low rate of pay compared to industry average, as well as less flexible working arrangement, especially some women business executives. Few enjoyed the flexibility of working virtually, or flexibly in terms of core hours, job sharing or family leave. The lack of human resource and industrial relations policy and practices is a serious challenge for Chinese business. The equity and working life agenda is largely ignored, and unfair practices remain the norm.

#### 4.7 Work and balance

With increasing intensification of work, and the 24/7 phenomenon, most of the subjects said they had little or no balance. The business executives reported that challenges for balancing their professional and personal life were enormous. There were also clear emerging areas of concern in relation to parenting and aged-care responsibilities. It appears that in contrast to emerging good practice in western business, work/life balance is not promoted or endorsed by Chinese business life.

### 5. Conclusions and policy implications

China is increasingly viewed as a dominant component in the world's economic future. What social and business models is it building on? In particular, will SOE reform and privatisation contribute in real term to both the economy and society? By focusing on profit and economic return, or the bottom line approach, can SOE reform deliver the promise of striving for a better future?

Although the economic and social status of business executives continues to rise in China, reforms associated with changing SOEs seem to generate significant challenges to the most elite groups in China. It may be reasonable to assume that other social groups and strata may experience similar sense of insecurity, stress, and bottom line dominance in decision-making, at the price of individual choice and sacrifice to a certain extent.

Currently there is little sign of value creation through balanced integration of financial, social and environmental factors. Instead, reform of SOEs and privatisation seem to thrive on the concept of ruthless capitalism and profit driven orientation. This paper suggests that a balanced approach reflecting the best of SOE provision and triple bottom line management appears to provide the best way forward for continuing prosperity in China. The current direction of SOE reform seems to have been driven by privatisation and economic rationalism, rather than a more balanced economic and social strategy. If this trend continues, the challenges for business executives, and the general society, can be overwhelming, and not leading to a more sustainable economy, let alone society, in the medium to long term.

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