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## **Modernization is the Development Direction of Chinese Economic Management**

### **I. Economic management system and methods develop constantly and keep pace with the time.**

Social economic management system exerts important functions for the development and advancement of social economy, and for the constant development and improvement of enterprises. When economic management system and method is in advanced state, it will positively push and promote the development of social economy and the growth of enterprises; on the contrary, it will exert the functions of blocking and restriction. It is an important task for the government and economic management theory circle of a country to adjust and reform economic management system and methods at proper time, and to keep them under constant modernization. Economic management system and method are within historical range, and under constant changes and development.

Nowadays, we strive to enhance the modernization level of economic management system and methods, and pay much attention to the concept of modernization. Modernization level generally indicates the most advanced and ultramodern economic management state in the current society, and modernization just means the efforts for realizing such advanced and ultramodern level. There are mainly two factors affecting social economic management system and methods, namely, one is social basic economic system, and the other is the productivity and scientific & technological development level.

**Old China before the foundation of the People's Republic of China:** Old China before 1949 was a country of semi-closed and semi-colony social system, and imperialism, feudalism and bureaucrat capital governed China. Workers, farmers and weak national capital were in crackdown and powerless state; in old China, the technical level of industrial and agricultural production was extremely laggard, and basically in the era when handicraft industrial was prevailing. Under such macroscopic situations, Chinese economic management was also very laggard. National capital made efforts to take some primary modern management methods, but was still restricted by feudal

family management. Laggard economic management induced the slow development of social economy and enterprises, people's standard of living was at the most bottom level, and they were in difficulties.

**From the foundation of new China to the eve of reform and opening to the outside world:**

The foundation of the People's Republic of China has established socialist system in China, and broken the restrictions of laggard systems of old China on economy; and since then, people have become the owner of the country, people's government has led the economic construction which makes benefits for the people, Chinese economy has developed quickly, and people's standard of living has been obviously improved. For lack of experiences in how to construct socialist economy, China still has many problems and deficiencies in terms of economic management system and methods, even though it has noticeable achievements in social economic construction and enterprise development. For example, rigescent economic management system and methods, such as simplex public economy system, over centralized planned economy, non-separation of government and enterprise, enterpriser doubling as official, repulsion against market economy and the modernized management method of western countries, etc., seriously restricted the healthy development of Chinese economy and enterprises. The economic growth was not slow, but the economic benefit was not good, and people's standard of living was improved very slowly.

**Great reform of economic management system and methods started in 1978.** The Third Plenary Session of the Eleventh Central Committee of CPC, aiming at the malpractices of traditional economic management system, clearly brought forward the new line of "reform and opening to the outside world", namely reforming economic management system internally, and executing opening to the outside world externally; and later, brought forward the guideline of "connecting with the international". The opening to the outside world has made us see the achievements of international economic and scientific & technological development, the operation and development of western enterprises in market economy environment, and advanced points of western economic theories and management methods; and has promoted us to explore the reform direction of economy and management. Under the new cognition of "science and technology is the first productivity", we have vigorously introduced overseas sciences and technologies, developed Chinese sciences and technologies, and constantly realized the improvement and development of production techniques. After 30 years of practices, Chinese economic management system and methods have been greatly adjusted and reformed. China has established a basic system with public ownership as the main body, and with the joint development of multiple economic sectors; realized the transfer from planned economy to socialist market economy; introduced scientific and reasonable contents in western economic and management theories, and modernized methods in

economy and management, including the broad applications of information technology and other modern science & technology in economic management; gradually formed a new socialist road with Chinese specific characteristics; kept making economic management system and methods tend towards modernization and connect with international market. This is a profound and broad reform, which has obtained outstanding achievements this way, and greatly improved people's standard of living.

As for the improvement, enhancement and modernization of economic management system and methods, they have constantly developed and tended toward modernization along with the development of social basic economic system, science and technology; and have kept pace with the time.

## **II. Development course of modernization of Chinese economic system**

Chinese economy has changed tremendous in the course of 30-year reform and opening to the outside world; economic management system and methods have constantly developed in the direction of modernization, and kept pace with the time.

1. Make way toward socialist market economy firmly in terms of economic operation system.

Traditional economic system unilaterally took simplex planned economy as the only operating method of socialist economic system, excluded market mechanism, regarded planned economy and market economy as the boundary of socialism and capitalism, and thus made Chinese economy ragescent, stagnant, low-efficiency, and lack of energy. Since the reform and opening to the outside world, it's gradually recognized that market economy is a non-replaceable operational mechanism of modern commodity economy; Chinese commodity economy was not very developed, so it's a must to take the road of market economy. Therefore, since 1980s, China has gradually reformed price system, made market mechanism become the foundation for the formation of commodity price, and made enterprises of all types of ownership enter into the market, grow, develop and strengthen energy in market competitions; China has also gradually enhanced the adjusting functions of finance and insurance, etc. in economic development; all levels of government have learnt by hard to use market means to adjust and guide economic development. Nowadays, Chinese economy has basically established the socialist market economy system, and the reform direction of market economy is an important choice for Chinese economy to connect with international economy, and is a correct road for Chinese economy to tend toward modernization. During the past 30 years, Chinese economy has developed at a high speed of annual average 10%, indicating that

the reform direction of market economy is correct. Of course, Chinese market system is not very standardized, and still need to be constantly developed and perfected.

2. Reform enterprise system, and establish modernized enterprise system with company-orientation as the main form.

Since the reform and opening to the outside world in 1978, Chinese enterprise system has been adjusted and reformed for multiple times. Firstly, China enlarged enterprises' autonomy in management, executed the replacement of profit delivery by taxes and the contractual management responsibility system; secondly, in line with the principle of professionalized cooperation, China executed reorganization and combination for industrial enterprises, and established a batch of big business groups and companies featured by large scale, high professionalization degree, advanced techniques, opening to the outside world, and competitiveness; at present, China is establishing a modern enterprise system with joint-stock company as the main form, which is featured by "clear property right and authority & responsibility, separation of government and enterprise, and scientific management". In the process of establishing modern enterprise system, the economic management level of Chinese enterprises has been greatly enhanced, and enterprises' competitiveness in domestic and overseas markets has also been intensified. At present, most enterprises have established modern enterprise system, and perfected their internal governing structure through reform and reorganization; a batch of large companies and large enterprise groups featured by perfect system, constantly improved technical innovation level, and high competitiveness have occurred; and some enterprises have entered into international markets, and been listed into World Top 500 Enterprises. Also, thousands of enterprises have been listed in domestic and overseas capital markets, issued stocks and bonds, and truly become modernized enterprises which are not in the shade at all compared with western excellent enterprises.

3. Advocate scientific and technological innovation, strengthen enterprises' independent research & development capacity, and enhance scientific management level.

Under the new situation that science and technology has advanced rapidly, whether modern enterprises could stand stably and keep developing in the market full of drastic competitions greatly depends on whether enterprises enjoy the capacity of scientific & technological innovation, independent research & development of new products, and modern scientific management. The concept "science and technology is the first

productivity” has gone deep into people’s heart in China. The government has brought forward to establish national innovation system, and enterprises have brought forward to become the basic force of scientific and technological innovation. Only when scientific and technological innovation is carried out and obtains new achievements constantly, could enterprises keep launching new high-tech products to the market, occupy domestic and overseas markets, and use scientific management methods to enhance enterprises’ management level. Currently, great mass of enterprises of our country are actively adapting to such changes; and in meeting the challenges of marketization, internationalization and informationization, most enterprises have done plentiful practical works in terms of enhancing scientific management level and obtained felicitous achievements. According to the data from the State Intellectual Property Right Office of China, China approved over 99,000 patent applications at home in 2001; and this figure rose to over 301,000 cases in 2007. This indicates that our country’s enterprises and research institutes have paid much attention to enhancing scientific and technological innovation capacity, and to strengthening independent research and development capacity, and have obtained felicitous achievements.

4. Pay attention to product brand management, and effectively develop the market.

Product brand is the lifeline of enterprises, and creating famous brands is an important strategic measure for business operation. The survey on international famous enterprises shows that, enterprises with powerful competitiveness and good development trend all have commanded one or several world famous product brands. For example, American three large automobile companies, German VW, and Japanese Mitsubishi automobile, etc. are broadly sold to each continent of the world, and their success rests with that they create brands of top-ranking product quality and approved by world customers. In the past, Chinese enterprises set little store on establishing brand strategy, and lost much ground in international competition. Since the reform and opening to the outside world, we have begun to think much of this situation; governmental competent department in charge of economy has strengthened the leading in this aspect, encouraged enterprises to have a regard for product quality and to create famous brands, appraised through comparison and rewarded enterprises carrying forward traditional famous brands and creating new famous brands across the whole country. Also, enterprises have actively invested human and material resources, improved management through scientific and technological innovation, kept creating famous brand products of high quality and low price, and loved and

approved by customers; and with this as the strategic measure for enterprises' development and the development direction of enterprise modernization, enterprises have remained invincible and kept growing in drastic competitions.

5. Strengthen corporate culture construction, and cultivate enterprises' core values.

Chinese enterprises have their corporate culture suitable for Chinese actual situations, but the concept of corporate culture as an important connotation of modern enterprises' scientific management was introduced from abroad. So-called "corporate culture" is the common concept concluded, cultivated and formed by enterprise employees in long-term operation and development, and becomes enterprise employees' joint pursuit target, values, basic belief and code of conduct. Belonging to the level of culture and awareness, corporate culture seems intangible, but its quality greatly affects the result of enterprises' operation and development, and it exerts guiding function, excitation function, condensation function and restriction function on enterprises' plentiful employees and operation activities. Excellent corporate culture is an important condition for scientifically making enterprise development strategies, and is an important means for implementing enterprise strategies. Anyway, corporate culture is an important guarantee for enterprises to remain invincible in competitions. At present, the construction of corporate culture has been paid attention to commonly among Chinese enterprises. There is something common in the construction of corporate culture, but the more importance rests with combining the actual situations of an enterprise to create a corporate culture system with this enterprise's individual and specific characteristics; corporate culture with values as the core has played an important rule in enterprises' operation and management. China Panzhihua Iron and Steel Co., Ltd. has developed market-orientated corporate culture construction; Shenzhen SEG Group Corporation has developed construction of corporate culture aiming at enhancing operation efficiency; they have made employees turn excellent corporate culture into conscious awareness and behavior, and obviously improved enterprises' social image and actual competitiveness.

6. Use advanced management theories and methods, and strengthen enterprises' basic management for modernization.

Basic management exerts important supporting function for the development and growth of enterprises. Under conditions of market economy, plentiful new management methods have occurred in endlessly. How to adapt to such situation and to use new management

means such as informationization, etc. for strengthening basic management is an extremely important subject. Various types of basic management having important functions for enterprises' operation performance, such as strengthening enterprises' accounting and internal auditing, enhancing enterprises' financial management level, perfecting enterprises' human resources management system, decreasing cost and increasing benefits, and intensifying the applications of information technology in enterprises' material management, product management, salary management, market and marketing management, etc., include advanced management methods introduced from abroad, and advanced systems which are concluded and extracted from operation management practices by Chinese enterprises, and are suitable for Chinese national situations. Well combining introduction and self innovation, Chinese enterprises have improved their operation effects, and developed their strength.

7. Modernized enterprises and enterprisers must learn in earnest to enhance their own level (omitted).
8. The government popularizes the innovation results of management modernization, and pushes the modernization of enterprise management (omitted).

The above analysis shows that, on one hand, since the reform and opening to the outside world in 1980s, China has quickly promoted the modernization of economic and enterprise management, and obtained many important achievements. Many Chinese enterprises have entered into international markets, grown up in the competitions of modernized operations, and are not in the shade compared with some international excellent enterprises. On the other hand, the modernization of Chinese economic and enterprise management still has some certain distance from the ideal level. We don't have reasons for self satisfaction, but need to make efforts constantly to move forward on the road to modernization, so as to make greater progresses. This is the joint task of Chinese enterprises, enterprisers, and economic management theory workers.