

Text 8

Case study into the market-oriented strategies and performance of State-owned Enterprises in a transition economy

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Abstract:

In China's transition economy, new government measures aim to establish and improve a market-oriented economy. This economy will in turn give rise to an institutional and market environment that promotes the efficient management and use of capital, labour, products and technology. Reforming the country's institutions requires their progressive transformation at a regulatory, legal and also human level. The outdated regulatory frameworks of previously established institutions co-exist with newly created ones that are developing at a slow and uneven pace. The effects of this can be seen in the current economy, which is subject both to market-imposed rules and those left over from China's previous economic system. On one hand, state influence over business remains strong, while on the other, new market principles create opportunities and put businesses under pressure. Developing strategies that are well-adapted to the current political environment and yet also exploit market opportunities, has become a difficult challenge for state-owned enterprises (SOEs).

Today's business strategies can be classified into three very distinct models: a market-oriented model, a resource-oriented model based on either key resources or skills, and a model based on the economic climate, that seizes market opportunities quickly and efficiently. Of the three, the market-oriented model attracts the most attention. Drawing on previous research, this article provides a case study of the market-oriented strategies and overall performance of SOEs in China's transition economy.

I. Theory

A market-oriented approach to achieving better customer value allows company employees to focus on the same objectives and develop foresight. This harmonisation of business objectives, decisions and rationale in the various departments of a company are a precursor to adopting a market-oriented strategy and may improve financial performance. Market-oriented strategies emphasise the importance of value creation, and give every company employee, in every department, the autonomy and encouragement necessary to create value that is both adapted to customer needs and superior to that of the competition. In a rapidly changing environment, a company's competitive edge depends on its ability to adapt. Furthermore, developing and maintaining a market-oriented

strategy through harmonisation is a valuable learning experience for a company. Having a structure that evolves in tandem with market conditions allows a company to effectively adapt to changes in the local environment, as well as to create and preserve the company's best values.

II. Case study

The methods used in this study were factor analysis and multivariate regression. We conducted a survey of the management conditions and activities of SOEs in the five-year period from 1995-1999. 274 of the 313 surveys that were returned were validated, for a return rate of 56.9%.

III. Conclusion

Theoretical analysis and the data from the questionnaires filled out by more than 300 SOEs leads us to conclude that a market-oriented strategy has a positive effect on a company's financial and strategic performance, and therefore plays an important role in SOE restructuring and reform in a transition economy.

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