

Translation



The following document, issued in 2022 by the Chinese government ministry in charge of state-run enterprises (SOEs) and popularly known simply as “Document 79,” announces a campaign to improve SOEs’ “value creation.” The [Wall Street Journal](#) reported that this directive requires SOEs in strategic economic sectors to replace all of their foreign IT software by 2027, a drive known informally in China as “Delete A,” for “delete America.” The publicly available version of Document 79 translated below does not mention anything about removing foreign software, although it does emphasize the importance of SOEs improving their capacity for in-house innovation.

Title

Notice on the Initiative to Launch Value Creation Benchmarking Against World-Class Enterprises
关于开展对标世界一流企业价值创造行动的通知

Author

The Reform Bureau (改革局) of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC; 国务院国有资产监督管理委员会; 国务院国资委)

Source

SASAC website. The notice was promulgated in late September 2022 and was uploaded to the website on April 27, 2023.

The Chinese source text is available online at:

<http://www.sasac.gov.cn/n2588020/n2588072/n2591064/n2591066/c27783654/content.html>

An archived version of the Chinese source text is available at: <https://perma.cc/KP6C-5RCZ>

Translation Date

April 8, 2024

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Document of the State-owned Assets Supervision and Administration Commission of the State Council

(2022) No. 79

Notice on the Initiative to Launch Value Creation Benchmarking Against World-Class
Enterprises

To central enterprises¹ and the state-owned assets supervision and administration commissions of all provinces, autonomous regions, province-level municipalities, cities with independent planning status under the national economic and social development plan, and the Xinjiang Production and Construction Corps:

Value creation is an important part of achieving high-quality development by state-owned enterprises (SOEs) and an essential requirement for enterprises to raise their global competitiveness. In recent years, the scale and strength of SOEs have been increasing, laying a solid foundation for the construction of world-class enterprises, but the problems of weak value-creation ability and low quality and efficiency still exist, constraining the higher-quality and more sustainable development of enterprises. In the face of the current complex and grim external situation and challenges, SOEs must maximize their value creation ability, continuously improve the quality of products and services and enterprise efficiency and efficacy, and thereby effectively enhance their ability to compete, innovate, control, and influence, and their ability to withstand risks. In order to deeply implement General Secretary Xi Jinping's important instructions on accelerating the construction of world-class enterprises, and put into practice the spirit of the 20th Party Congress and the deployment requirements of the Central Economic Work Conference, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) has decided to launch a value creation initiative in SOEs by benchmarking against world-class enterprises. Notice of the relevant matters is hereby given as follows:

I. Overall Requirements

(i) Guiding ideology:

We must be guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, be firmly rooted in the new stage of development (新发展阶段), completely, accurately, and comprehensively carry out the new concept of development (新发展理念), take improving the quality, effectiveness, and efficiency of development as the main thread, and take benchmarking against world-class enterprises as the starting point. We shall push SOEs to refine their value-creation systems, raise their value creation ability, and speed up the transformation from quantitative scale to qualitative effectiveness and efficiency, from focusing on short-term performance to focusing on long-term value, and from a single value

¹ Translator's note: The term "central enterprises" (中央企业) refers to state-owned enterprises (SOEs) directly under the PRC Central People's Government (aka the State Council) whose leaders are appointed by the State Council or the Chinese Communist Party (CCP) Central Committee, either directly or by the CCP Central Organization Department, the State-owned Assets Supervision and Administration Commission (SASAC), or another central party or government department.

perspective to an overall concept of value, so as to better fulfill their economic, political, and social responsibilities, and provide strong support for the accelerated construction of world-class enterprises.

(ii) Basic principles

First, persist in benchmarking against the best. Taking benchmarking as the starting point and foothold, aiming at world-class enterprises and advanced enterprises in the industry, and focusing on the core indexes and elements that reflect quality, efficiency, and effectiveness in value creation, scientific and accurate benchmarking should be carried out, so as to ensure that the benchmarking measures are operable, the effects are quantifiable, and the process can be inspected. Through in-depth research exchanges, timely assessment and analysis, and continuous dynamic optimization, instill benchmarking evaluation throughout the process of value creation actions.

Second, persist in giving prominence to key areas. Focusing on the main areas, key links, and core elements of value creation, taking system capacity building as the main task and key content, and taking into account the actual situations of enterprises, scientific, rational, accurate, and efficient enhancement measures should be formulated to ensure that value creation actions achieve substantial results.

Third, persist in being problem-oriented. Deeply analyze the factors constraining value creation to pinpoint shortcomings and weaknesses. The problems of enterprises, including unclear value creation goals, non-specific factors of production (要素), unsound systems, imperfect mechanisms, and unimpressive capabilities, should be effectively solved through benchmarking and upgrading.

Fourth, persist in differentiated policy implementation (分类施策). Giving comprehensive consideration to the functional categorization and business characteristics of enterprises, and taking into account differences in terms of responsibility positioning (职责定位) and development stage, the value creation initiative should be launched in accordance with policy implementation differentiated by enterprise (因企施策) and policy implementation differentiated by industry (因业施策), without engaging in “marching in lockstep” or “one-size-fits-all” approaches, thereby effectively enhancing the relevance and effectiveness of the work.

(iii) Main objectives.

By 2025, the value creation systems of SOEs will be basically perfected, with scientific diagnosis, strong implementation, effective evaluation, and adequate assurance; the vitality and momentum of value creation for all employees, all

processes, all aspects, and all factors of production will have been continuously enhanced; the target direction will be more precise; the level of capabilities will be significantly improved; the concept and culture will be deeply rooted in people's hearts; and the value creation ability of some key SOEs will reach the world-class level. Through value creation, the foundation for promoting the high-quality development of SOEs will be strengthened, the momentum for transformation and upgrading will be more abundant, the strategic support role of the state-owned sector will be more prominent, the ability to realize long-term value will be stronger, and SOEs will make greater contributions to economic and social development.

II. Action Measures

(i) In launching value creation, focus on the core indicators of efficiency and effectiveness, so as to constantly bolster the foundation for the high-quality development of SOEs. Putting quality first and prioritizing efficiency are essential requirements for enterprise value creation. We should: Create a scientific and comprehensive high-quality development indicator system based on core indicators such as total profit, net profit, debt-to-asset ratio, return on net assets, overall labor productivity, economic value added ratio, R&D investment intensity (强度), operating cash flow ratio, etc., and taking into account the actual situation of industries and enterprises, deeply analyze the driving factors affecting the levels of the indicators, take strong and effective measures, and ensure that the core indicators continue to be optimized. Strengthen lean operations and lean management, firmly establish the concept of "all costs are controllable," organize production and operations in a market-oriented and efficiency-centered manner, grasp the key links and key elements of cost control, and achieve total-life-cycle cost optimization. Focus on improving product quality, strengthen the entire quality control process, improve third-party quality evaluation mechanisms, and promote a leap in quality evaluation from the pursuit of "pass rate" ("合格率") to "level of satisfaction." Enhance group corporation-style financial management (财务集团化管控) and intensive operations (集约化运作) capabilities, optimize the allocation of financial resources, and accelerate the construction of a world-class financial management system. Further promote construction of the treasurer system (司库体系), improve capital operation efficiency and reduce capital costs, and prevent capital risk. Establish a mechanism for the capital operation planning of listed companies, promote the layout optimization and full-function utilization of listing platforms, improve shareholding structure and corporate governance, and continuously enhance recognition in the market (市场认同) and value realization.

(ii) In launching value creation, focus on innovation-driven development, in order to continue building new dynamism (新动能) for enterprise transformation and upgrading. Innovation is the inexhaustible driving force for enterprise value creation. We must form new dynamism for value creation and value growth by implementing innovation in science and technology (S&T), management, business models, etc. Give full play to the leading and supporting roles of S&T-based backbone enterprises, strengthen the enterprise-led deep integration of industry, universities, research institutes, and users (产学研用), and maximize the intensification of resource factors of production and the scaling up of innovation power. Aiming at key areas concerning China's industrial, economic, and national security, strengthen the systematic layout of technology, focus on the research and development (R&D) of fundamental, urgently needed, cutting-edge, and disruptive technologies, and strive to improve the innovation system, enhance innovation capacity, and stimulate innovation vitality, thereby promoting the more in-depth and fruitful (走深见效) construction of wellsprings of original and innovative technology. Improve top-level design for the conversion of S&T achievements into practical applications (科技成果转化), promote the precision linking of the innovation and production chains, accelerate the conversion of S&T achievements into practical applications from samples to products and then to commodities, and improve and perfect mechanisms for distributing benefits from S&T achievement conversion, so as to raise the level of S&T achievement conversion and industrialization. Strengthen management innovation, continuously improve the institutionalized, standardized, and process-oriented enterprise management system, adapt to the trend of information technology (IT)-based change, and effectively integrate the concept of value creation into modern enterprise management. Actively explore business model innovation, give full play to the advantages of SOE data and application scenarios, accelerate the digitalized and intelligentized (智能化) transformation of enterprises, and promote the in-depth integration of big data, blockchain, artificial intelligence, and other advanced technologies with business, thereby fostering effective drivers of value growth.

(iii) In launching value creation, focus on the implementation of national strategies, to give full play to the strategic support role of the state-owned sector. Promoting the implementation of major national strategies is a major mission and core value of SOEs. We should focus closely on the implementation of national strategies such as "Manufacturing Powerhouse,"² "Quality Powerhouse," "Space Powerhouse," "Transportation Powerhouse," "Cyber Powerhouse," "Digital China," etc., continuously

² Translator's note: This translation renders the Chinese word 强国 qiángguó—which literally means "strong nation"—in English as "powerhouse," as in the phrase "manufacturing powerhouse" (科技强国). For a more thorough discussion in English of the Chinese word qiángguó, see:

<https://www.newamerica.org/cybersecurity-initiative/digichina/blog/lexicon-wanluo-qiangguo/>.

strengthen the state-owned sector's role in the fields of strategic security, industrial leadership, the stratagem for ruling the country (国计), the people's livelihoods, public services, etc., and enhance support capacity. Develop and expand the real economy, strengthen and optimize the manufacturing industry as the main direction of attack, and strive to seize the "commanding heights" of industrial development, thereby laying a solid foundation for constructing a modern industrial system. Deeply advance the construction of modern production chain leaders (链长), promote the effective connection and coordinated operation of upstream and downstream production, supply, and marketing, and enhance the ability to consolidate chains using the foundation, to make up shortcomings in chains with technology, to strengthen chains through integration, and to shape chains through optimization, so as to build an efficient and harmonious industrial ecosystem that is safe and reliable, and thereby effectively enhance the overall value creation capacity of production and supply chains. Help build the new pattern of development (新发展格局) in which domestic and international dual circulation (双循环) are mutually reinforcing, prudently develop internationalized operations, and promote, with high quality, the construction of major "Belt and Road Initiative"³ projects while actively participating, in and gradually leading, the formulation of international standards, so as to enhance enterprises' resource allocation and value creation abilities on a global scale. Take the initiative to link-up with major national regional strategies, regional coordinated development strategies, and the main functional areas (主体功能区) strategy, actively serve local economic and social development, and push to solve the problems of unbalanced and insufficient development, thereby satisfying the people's ever-growing demands for the good life (美好生活), and making better of use of the role of SOEs as the main force for implementing national strategies.

(iv) In launching value creation, focus on improving governance effectiveness, so as to provide strong support for the construction of world-class enterprises. Promoting the transformation of the advantages of the modern enterprise system with Chinese characteristics into governance effectiveness is the fundamental prerequisite for the construction of world-class enterprises, and is also an effective guarantee for achieving value creation. We should: Strengthen the core function and driving role of group headquarters in value creation, improve governance structures, optimize organizational systems and management models, and firmly establish the orientation of giving priority to value creation. Implement the Party's leadership in all aspects of corporate governance, strengthen the governance and supervision of shareholders' meetings, give full play to the board of directors' role as the main business decision-making body,

³ Translator's note: The "Belt and Road Initiative" ("一带一路"), abbreviated BRI, refers to the Silk Road Economic Belt (丝绸之路经济带) and the 21st Century Maritime Silk Road (21世纪海上丝绸之路).

improve systems through which management exercises its authority and performs its duties, accelerate the formation of a corporate governance mechanism characterized by statutory and transparent powers and responsibilities, coordinated operation, and effective checks and balances, and actively explore the innovation of governance models for state-owned multinationals (国有跨国企业). Continue to deepen actions for management improvement benchmarking against world-class standards, establish and improve long-term mechanisms, solidify the results of management improvement with a complete system of institutions (系统完备的制度), and accelerate the modernization of management systems and management capabilities. Deepen the reform of the labor, personnel, and distribution systems, strengthen the rigid constraints of the tenure system and contractual management of managers, and effectively form a market-oriented, diversified, and differentiated distribution mechanism, so as to provide institutional and mechanism-based assurance for value creation.

(v) In launching value creation, focus on sustainable development, in order to effectively enhance the ability to realize long-term enterprise value. Forging long-term value and achieving built-to-last success are fundamental to the value creation of SOEs. We should: Strengthen the strategic guidance role centered around the long-term value of enterprises, improve the closed-loop system of strategy formulation, implementation, evaluation, and adjustment, and, based on value enhancement, formulate strategic implementation paths, resource allocation programs, and supporting assurance measures. Give prominence to main responsibilities and main businesses, focus on business structure optimization and adjustment, promote concentration of all kinds of factors of production in key and well-positioned industries (优势产业) with high technology content, large value-added, and strong driving effects, accelerate the divestment of non-core and poorly positioned businesses with low degrees of strategic alignment, poor profitability, and no competitive advantage, and clean up and deal with inefficient and ineffective assets. Give better play to the fundamental and strategic support role of talent, deeply implement the strategy of strengthening enterprises with talent in the new era (新时代人才强企战略), continuously deepen the reform of talent development institutions and mechanisms, and comprehensively cultivate, recruit, and utilize talent. Strengthen risk prevention and control, and get a solid grasp of monitoring, early warning, identification, assessment, judgment, and handling of various risks, and safeguard the security of state-owned assets in accordance with law. Deepen construction of the rule of law, improve the compliance management system, strengthen the legal compliance review of major decisions, conduct regular compliance evaluations, and promote the deep integration of the rule of law with production and operations, so as to ensure the sustained and healthy operations of enterprises.

(vi) In launching value creation, focus on joint construction and sharing, in order to vigorously promote the contribution of SOEs to economic and social development. Taking into account the interests of all relevant parties and actively fulfilling social responsibility are important manifestations of maximizing the overall value of enterprises. We should: Persist in taking a people-centered approach, support public welfare and charitable undertakings and the comprehensive revitalization of the countryside, actively promote the coordinated development of regions, and help social groups facing adversity. Instill the concept of safe development throughout the production and operation process, continuously improve the safety control capacity and intrinsic safety level in key areas, and take the lead in participating in rescue, relief, and emergency supply work for major natural disasters and sudden public security incidents, so as to protect the lives and property of workers and the public. Accelerate green and low-carbon transformation, comprehensively improve the energy efficiency of energy resource utilization and the level of clean production, and take the lead in fulfilling the carbon emission peak and carbon neutrality targets. Coordinate the interests of relevant parties—shareholders, employees, customers, suppliers, society, etc.—to form a good ecosystem of mutual benefit, win-win outcomes, and harmonious development, thereby creating value for economic and social development, and contributing strength to the promotion of common prosperity.

(vii) In launching value creation, focus on system capacity building, and effectively grasp the key tasks and key content of initiative promotion. Improving the value creation system and enhancing value creation ability is both an inevitable requirement for carrying out value creation actions and a basic way to realize value enhancement. We should: On the basis of the existing work system, further improve the diagnostic, responsibility, execution, evaluation, and assurance systems of value creation, taking into account all enterprise production and operation factors of production, links, and processes, and continuously improve value identification, creation, enhancement, and transformation abilities. To improve the diagnostic system, scientifically identify the key factors of production for value creation in all the areas and links of the enterprise production and operation process, pinpoint shortcomings and weaknesses, and formulate highly targeted improvement goals and work initiatives. To improve the responsibility system, clarify the division of labor, enhance cross-level, cross-departmental, and cross-business value coordination, and ensure that responsibilities are clearly assigned to specific people, and that people work together in a coordinated manner. To improve the execution system, break down value creation tasks and objectives into specific initiatives, continuously improve the system and mechanisms, optimize workflows, and raise the level of management, so as to strengthen the ability to implement value creation in practice. To improve the evaluation system, strengthen daily supervision and inspection and dynamic

assessment and evaluation, correct errors and remedy defects in a timely manner, and form a closed loop of value creation work. To improve the assurance system, strengthen incentives and constraints, comprehensively adopt multiple measures, and effectively mobilize the enthusiasm and initiative of all staff to participate in value creation.

III. Organization and Implementation

(i) Strengthen organization and leadership. We will effectively strengthen the Party's overall leadership, firmly grasp the correct direction, and ensure that the various measures of the value creation initiative are effectively executed and put into practice. SASAC is responsible for coordinating and organizing, guiding and supervising, and assessing and evaluating, and local state-owned assets supervision and administration commissions should conscientiously attach great importance to the organization and implementation of the value creation initiative. The Party committees (Party groups) of SOEs shall give full play to their leadership roles of grasping the direction, managing the overall situation, and ensuring implementation in practice, refine work mechanisms, specify the responsible departments, formulate implementation plans, strengthen assurance measures, and firmly manage deployment arrangements and organizational implementation. The value creation initiative shall be organically combined with the pilot initiative on world-class enterprise creation and other key tasks, with mutual cooperation in formulating measures, and mutual promotion in organization and implementation.

(ii) Promote implementation in a coordinated manner. The value creation initiative will be promoted mainly in three stages. The first is the research and deployment stage (January-March 2023): Issue special notices, hold kick-off meetings, and fully deploy the value creation initiative. Adhering to different policies for different enterprises (一企一策) and benchmarking against the best, and focusing on the weak links of value creation, formulate an implementation plan for the value creation initiative, and report it for filing to SASAC or the local state-owned assets supervision and administration commission, according to the management relationship, by the end of March 2023. The second is the organization and implementation stage (April 2023-December 2024): In accordance with the initiative's implementation plan, comprehensively carry out value diagnosis, search in-depth for shortcomings and weaknesses in value creation, specify the work objectives, determine the key tasks, put forward improvement measures, and strengthen supervision and inspection, so as to continue to strengthen the capacity building of the enterprise value creation system, and comprehensively enhance the level of value creation. The third is the in-depth assessment stage (January-March 2025): Summarize value creation initiative practices

and experiences, conduct a comprehensive and in-depth assessment of the results achieved, establish and improve long-term work mechanisms, and continuously enhance the value creation ability of enterprises.

(iii) Conduct summing up and exchanges in a timely manner. We should: Regularly launch stage-by-stage summing-up, strengthen comprehensive analysis, research, and judgment, dynamically adjust work measures, and optimize and refine the implementation path in response to the problems and weaknesses in the promotion process, ensuring that all the tasks and requirements of the initiative are put into practice and become effective. Deeply mine advanced models, gradually put forward a number of value creation model enterprises and benchmarking projects in different industries and fields, adopt multiple forms for summing up and promotion, and give full play to the driving role of demonstration. Focusing on propaganda and guidance, comprehensively use various media, and expand propaganda in multiple dimensions, perspectives, and levels, so as to create a favorable social atmosphere. At the same time, constantly deepen external exchanges, and effectively utilize international exchange and cooperation platforms to tell the value creation story of Chinese SOEs in a three-dimensional and diversified manner.

(iv) Strengthen guidance and support. SASAC will strengthen its policy support and guidance of the value creation initiative, promote the adoption of effective measures by SOEs to enhance their value creation ability and level, and strengthen its whole-process supervision and evaluation. It will set up a communication platform and organize relevant experts, professional institutions, and SOEs to carry out training and research, ensuring that the value creation initiative is more scientific and effective. Local state-owned assets supervision and administration commissions may take into account the actual situations of the enterprises under their supervision in formulating support policies and measures for raising the level of enterprise value creation.