Research on the Classification Reform and Its Effects of Commercial Centrally-Administered State-Owned Enterprises under the Background of Fully Implementing the New Development Concept

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Abstract: The implementation of classification reform in commercial centrally-administered state-owned enterprises (SOEs) leads to changes in their business performance, which can be influenced by varying levels of government intervention. This paper focused on A-share listed enterprises within the commercial centrally-administered SOEs from 2012 to 2019 and used empirical research methods to investigate the impact of this policy. The results demonstrate that, compared to private enterprises, commercial centrally-administered SOEs experienced improved business performance following the implementation of classification reform. From the perspective of the external governance environment, varying degrees of government intervention in different regions impacted the effectiveness of the reform in enhancing the business performance of commercial SOEs. This study provides positive empirical evidence supporting the effectiveness of the implementation of classification reform in SOEs. However, it also highlights the need for further governance measures to consolidate and strengthen the effects of the reform.

Keywords: classification reform; commercial centrally-administered state-owned enterprises; business performance; government intervention.

1. Introduction

In November 2013, the Third Plenary Session called for further deepening the reform of SOEs and accurately defining the functional properties of different types of SOEs. However, there was no clear implementation plan for how to define the functions of different types of SOEs. It wasn't until August 2015 that the State Council issued the Guiding Opinions on Deepening the Reform of State-owned Enterprises. This document sets forth the goals and measures for SOE reform and serves as a guiding policy document for promoting and advancing the reform of SOEs in the new era. With this, classification reform entered into a specific implementation phase. The Ministry of Finance, in cooperation with other ministries, issued Guiding Opinions on the Functional Classification of State-owned Enterprises, with the aim of promoting the categorization of SOEs and implementing targeted reforms based on the functional positioning of different types of SOEs. Among them, commercial centrally-administered SOEs were the main object of classification reform and were greatly influenced by relevant policies. The proposal of the new development concept also has significant implications for classification reform. Innovative development concepts are the fundamental driving force for deepening SOE reform, while coordinated development concepts are the internal requirement for deepening SOE reform. Green development concepts are the fundamental principles for deepening SOE reform, open development concepts are the necessary path for deepening SOE reform, and shared development concepts are the important goals for deepening SOE reform.

Although a series of reform measures have given more operational autonomy to centrally-administered SOEs, they are still far from the original intention of the reform. One core issue is the phenomenon of the blurred boundary between government and enterprises left over from the long-term planned economic system, which leads to a low level of marketization in centrally-administered SOEs and excessive government intervention in their management and development. The theory of government intervention indicates that excessive government intervention will burden centrally-administered SOEs with too many policy tasks, affecting their business decision-making. In other words, when the government internalizes social public goals into centrally-administered enterprises, especially commercial ones aimed at profits, their pursuit of profit maximization will be weakened, resulting in the alienation of their own value formation process, which affects their business performance. The channel of

government intervention in enterprises usually manifests as state ownership. As the proportion of state-owned shares increases, the government's control over managers strengthens, thus forcing enterprises to act for social or political goals[1], conflicting with their profit-oriented nature and affecting their economic decision-making, ultimately influencing their business performance.

Based on the above background, this paper mainly examines the effect of the classification reform policy on the performance of commercial centrally-administered SOEs, which was introduced in 2015 and began to be implemented. Specifically, it examines whether the implementation of the classification reform policy has improved the business performance of commercial centrally-administered SOEs and tests the moderating effect of different levels of government intervention across regions on the policy effect.

2. Theoretical Analysis and Research Hypotheses

The classification reform helps SOEs to improve corporate governance. In SOEs, there is a mismatch between the right to claim remaining claims and the right to control, and although enterprise managers enjoy a high level of control, they do not bear business risks and do not have the right to claim remaining claims, which makes it difficult for the state to effectively supervise them. Meanwhile, the state lacks a proactive attitude towards supervision[2]. The long chain of agency relationships in centrally-administered SOEs leads to a shortage and excessive interference of owners, while the government lacks effective means of supervision. Thus, administrative intervention has become a suboptimal choice, resulting in problems such as a lack of separation between government and enterprises, confusion between government and capital, and an administrative governance mechanism of "managing people, affairs, and assets"[3]. Introducing private capital can create a pattern of shared control, reduce improper government intervention in SOEs, and mitigate the issue of excessive concentration of ownership in many SOEs. This "over-concentration of ownership" is detrimental to the formation of effective equity balance in corporate governance structures and can lead to a "one-man rule" phenomenon[4]. Moreover, the separation of rights brought about by the establishment of the modern enterprise system in centrally-administered SOEs also causes significant agency problems, mainly manifested in insufficient economic incentives and internal control by insiders[5].

The classification reform facilitates the promotion of fair competition. Under government administrative intervention, SOEs bear policy burdens, resulting in inefficiency and weak budgetary constraints, making it difficult for the market competition mechanism to function effectively in optimizing resource allocation [6]. The classification reform can reduce government administrative intervention, enhance the independence of SOE management, and effectively leverage the role of market mechanisms in optimizing resource allocation.

Thus, market competition can effectively amplify profits to incentivize managers. Empirical research conducted by Chen Siyu et al. [7] has shown that the classification reform hardens budget constraints of SOEs by stripping away their policy burdens, and it also facilitates the alleviation of external financing constraints for non-SOEs, demonstrating the necessity of classification reform in response to the requirement of "competition neutrality" rules. Furthermore, the state have placed greater policy emphasis on the development of mixed ownership with different property rights under the principle of "competition neutrality" to promote classification reform, facilitating the elimination of property rights differences [8] Therefore, based on the viewpoints of these scholars, the first research hypothesis was made as follows:

H1: The business performance of commercial centrally-administered SOEs can show a significant improvement after the implementation of classification reform.

The principal reason why mixed-ownership reform enhances enterprise operational performance is that the introduction of non-public capital brings complementary resources, capabilities, and mechanisms, which create greater value when combined with SOEs. Hence, the heterogeneity, complementarity, and ability to support industrial resources of investor resources are important selection criteria for new shareholders. The differences in shareholder resource endowments not only affect the motivation for shareholder participation in corporate governance but also constitute a crucial influencing factor for their participation in governance. Only by integrating complementary resources brought by non-public capital and improving corporate governance mechanisms and operational decision-making and management efficiency can centrally-administered SOEs create value after mixed-ownership reform[9]. With the introduction of non-public shareholders in classification reform, the performance and governance level of the reform subject are impacted. The introduction of foreign shareholders is advantageous for the internationalization process of centrally-administered SOEs [10]. Research conducted by Yang Zhenzhong and Wan Congying reveals that the more sophisticated the enterprise governance structure of private shareholding shareholders in centrally-administered SOEs, the more favorable the impact on operational performance, which is especially significant when both parties are in the same industry[11]. The introduction of different types of major shareholders in centrally-administered SOE reform can optimize corporate governance mechanisms[12]. Therefore, based on the viewpoints of these scholars, another research hypothesis was made as follows:

H2: In areas with higher levels of government intervention, the improvement in business performance of commercial centrally-administered SOEs after classification reform will be more significant.

3. Research Design

3.1. Selection of research samples

In this study, the year 2015 was selected as the experimental group, which was impacted by policy shocks. The research period was set to be 10 years, from 2012 to 2019, including Chinese commercial centrally-administered SOEs listed on the A-share market during this period as the basic sample. Private listed enterprises were chosen as the control group. The data for this study were mainly sourced from the CSMAR database, and data processing was mainly carried out using Stata 15.0. Further processing was conducted for data screening, including the exclusion of samples of ST, ST*, PT enterprises and the removal of samples of financial and bank-type enterprises.

Regarding the industry classification standards for centrally-administered enterprises in the classification reform, this paper primarily refers to the classification table for SOEs provided by Wei Minghai[19], Cai Guilong, and Liu Jianhua , as well as Chen Xia's[14] research. These classification tables were combined with the 2015 Guiding Opinions on the Function Defining and Classification of State-owned Enterprises, as well as the main business of listed enterprises, to classify the enterprises based on the industry codes in the 2012 revised Guidelines for the Industry Classification of Listed Enterprises and the specific industry in which each enterprise operates. As a result, we identified commercial centrally-administered SOEs as the research subjects for this section, with a total sample size of 2,992 observations.

3.2. Model specification

The Difference In Difference model (DID) was used to test the policy effect of classification reform on the performance of commercial SOEs. Based on the research content, the basic regression model of this paper was constructed as follows:

$$Y_{i,t} = \alpha + \beta_1 treat_{i,t} * time_{i,t} + \beta_2 treat_{i,t} + \beta_3 time_{i,t} + \beta_4 control_{i,t} + YEAR + INDUSTRY + \xi_{i,t} \cdots\cdots\cdots\cdots (1)$$

In order to finally verify the hypothesis proposed in this study, H1, that is, to test whether the performance of commercial centrally-administered SOEs has improved after the classification reform, model (1) was constructed as follows:

$$roa_{i,t} = \alpha + \beta_1 treat_{i,t} * time_{i,t} + \beta_2 treat_{i,t} + \beta_3 time_{i,t} + \beta_4 lnasset_{i,t} + \beta_5 lev_{i,t} + \beta_6 lnboard_{i,t} + \beta_7 ind_{i,t} + \beta_8 cr_{i,t} + \beta_9 dual_{i,t} + YEAR + INDUSTRY + \xi_{i,t} \cdots\cdots\cdots\cdots (2)$$

In order to finally verify the hypothesis proposed in this study, H2, that is, the moderating effect of different levels of government intervention in different regions on the improvement of business performance through classification reform, the government-market relationship index (gov) that measures the degree of government intervention in different regions and the interaction terms of treat, time, and treat*time were added, respectively, to model (1), and model (2) was constructed:

$$roa_{i,t} = \alpha + \beta_1 treat_{i,t} * time_{i,t} * gov_{i,t} + \beta_2 treat_{i,t} * gov_{i,t} + \beta_3 time_{i,t} * gov_{i,t} + \beta_4 gov_{i,t} + \beta_5 treat_{i,t} * time_{i,t} + \beta_6 treat_{i,t} + \beta_7 time_{i,t} + \beta_8 lnasset_{i,t} + \beta_9 lev_{i,t} + \beta_{10} lnboard_{i,t} + \beta_{11} ind_{i,t} + \beta_{12} cr_{i,t} + \beta_{13} dual_{i,t} + YEAR + INDUSTRY + \xi_{i,t} \cdots\cdots\cdots\cdots (3)$$

3.3. Definitions of variable

The main research variables related to the commercial centrally-administered SOEs were explained as follows:

Business performance (roa): Measured by the return on assets (ROA), which is commonly used by most scholars[15]. This indicator can reflect the overall performance of the enterprise in a timely manner.

Government-market relationship index (gov): In testing the moderating effect of different levels of government intervention on the policy effect of the classification reform on business performance (H2), this study measures the degree of government intervention using the government-market relationship index, which is one of the sub-data of the China regional marketization process data compiled by Fan Gang, Wang Xiaolu, and Hu Lipeng [13]. The China provincial marketization index compiled by Feng and his colleagues has been widely used in the study of the degree of marketization and government intervention in different regions of China [16][17]. Referring to the practice of Xia Lijun and Fang Yiqiang [18] and combining with the specific research purpose of this study, the government-market relationship is closely related to the degree of government intervention and better fits the research question of this study. Therefore, this study uses the government-market relationship index to measure the degree of government intervention. It should be noted that unlike other indicators, this indicator is negatively related, that is, the lower the degree of government intervention, the higher the value of this indicator, which represents that the government has less intervention in the enterprises of the region. This data is released every two years, and the latest data available is for the year 2020, which is relatively stable between different years.

In order to avoid errors caused by missing variables, the following control variables were selected in this paper:

Enterprise scale (lnasset), financial leverage (lev), Board size (lnboard), board independence (ind), equity balance (cr), and duality (dual). The specific definition of variables is shown in the Table 1:

Table 1. Definitions of variables.

Types	Names	Abbreviations	Definitions
Explained variables	business performance	Roa	Net profit/total assets
Explanatory variables	Policy implementation time variable	Time	1 after 2016; Otherwise zero
	Intergroup dummy variable	Treat	1 for commercial centrally-administered SOEs in the experimental group; For private enterprises, it is 0
	Government-market relationship index	Gov	The score of the relationship between the government and the market, the higher the score, the lower the degree of government intervention.
Control variables	Enterprise scale	Inasset	The natural log of total assets
	Financial leverage	Lev	Asset-liability ratio
	Board size	Inboard	Natural logarithm of the number of directors
	Board independence	Ind	Proportion of independent directors to the number of board members
	Equity balance	Cr	The shareholding ratio of the 2nd-5th largest shareholder/the shareholding ratio of the 1st largest shareholder.
	Duality	Dual	The concurrent positions of chairman and general manager, 1= same person, 2= different person.

4. Test and Analysis of Empirical Results

4.1. Descriptive statistical analysis

Overall, the use of trimmed means method has to a significant extent reduced the influence of outliers in the sample, resulting in more reasonable mean and standard deviation values for all the variables. For the entire sample in table 2, the mean and median of the Return on Assets (roa) are fairly close, indicating a relatively uniform data distribution with a small standard deviation. The Government-Market Relationship Index (gov) has a minimum value of 3.38 and a maximum value of 11.11, with mean and median values of 8.427 and 8.31 respectively, signifying significant discrepancies in the level of government intervention among different regions in China, with some regions exhibiting significantly higher or lower levels of intervention as compared to the average level. The standard deviation of enterprise scale (lnasset) is 2.236, denoting considerable variations in enterprise scale across the sample. The Debt-to-Asset Ratio (lev) has a minimum value of 0.0303 and a maximum value of 0.994, indicating marked variations in financial leverage among different enterprises. The mean and median values for the Board Size variable (lnboard) and the Proportion of Independent Directors (ind) are close, with a uniform distribution. The Equity Balance (cr) has a minimum value of 0.0585 and a maximum value of 461.6, with a slightly right-skewed distribution manifested by the median being slightly lower than the mean, implying a relatively high degree of equity balance across the sample. The Duality variable (dual) has a median and mean value close to zero, indicating that a vast majority of enterprises maintain separate individuals in the roles of chairman and general manager.

Next, we conducted a comparative analysis of sub-samples of commercial centrally-administered SOEs and private enterprises. As shown in table 3 and table 4, the mean Return on Assets (roa) for commercial centrally-administered SOEs is 0.0261, while that of private enterprises is 0.0353, indicating that the business performance of commercial SOEs is significantly lower than that of private enterprises. The mean Government-Market Relationship Index (gov) for commercial centrally-administered SOEs is 7.834, which is 0.5 lower than the mean of private enterprises 8.710, indicating that the government-market relationship in the regions where commercial SOEs are located is generally inferior, and the degree of government intervention in enterprises is generally high. Furthermore, commercial centrally-administered SOEs are generally larger than private enterprises in terms of the scale variable (lnasset) and have higher Debts-to-Assets Ratios (levs), and the Board Size variable (lnboard) is slightly greater than that of private enterprises, but the proportion of Independent Directors (ind) is slightly lower. Concerning the Equity Balance variable (cr), private enterprises' scores are significantly higher than those of commercial centrally-administered SOEs.

Table 2. Descriptive statistical analysis of the entire sample.

Variables	N	Mean	Median	Standard deviation	Minimum value	Maximum value
Roa	2,992	0.0327	0.0327	0.0774	-1.648	0.630
Gov	2,992	8.427	8.31	1.597	3.380	11.11
Inasset	2,992	4.859	3.94	2.236	1.329	11.42
Lev	2,992	0.530	0.49	0.226	0.0303	0.994
Inboard	2,992	2.130	2.20	0.178	1.609	2.773
Ind	2,992	0.374	0.33	0.0562	0.231	0.714
Cr	2,992	54.42	48.52	43.77	0.0585	461.6
Dual	2,992	0.255	0	0.436	0	1

Table 3. Descriptive statistical analysis of commercial centrally-administered SOEs.

Variables	N	Mean	Median	Standard deviation	Minimum value	Maximum value
Roa	848	0.0261	0.0214	0.0357	-0.167	0.630
Gov	848	7.834	8.04	1.732	3.380	11.11
Inasset	848	8.003	8.18	1.183	3.711	11.42
Lev	848	0.552	0.51	0.219	0.0303	0.994
Inboard	848	2.192	2.20	0.171	1.609	2.773
Ind	848	0.373	0.33	0.0632	0.231	0.714
Cr	848	32.67	17.5	39.09	0.940	301.2
Dual	848	0.0802	0	0.272	0	1

Table 4. Descriptive statistical analysis of private enterprises.

Variables	N	Mean	Median	Standard deviation	Minimum value	Maximum value
Roa	2,144	0.0353	0.039	0.0885	-1.648	0.526
Gov	2,144	8.710	9.32	1.469	3.630	11.11
Inasset	2,144	3.615	3.48	0.982	1.329	8.076
Lev	2,144	0.521	0.49	0.228	0.0460	0.985
Inboard	2,144	2.106	2.20	0.174	1.609	2.708
Ind	2,144	0.375	0.33	0.0531	0.250	0.667
Cr	2,144	63.02	61.23	42.53	0.0585	461.6
Dual	2,144	0.324	0	0.468	0	1

4.2. Correlation analysis

As depicted in the table 5, there is a significant correlation between the primary explained variable, Return on Assets (roa), and the control variable, Government-Market Relationship Index (gov), as well as the other explanatory variables. This indicates that the control variables employed in this study have been appropriately selected and can capably control for variations in the explained variable. Moreover, all the correlation coefficients' absolute values lie between 0 and 1, and they are all smaller than 0.6, signifying that there is no significant problem of multicollinearity among the explanatory variables. The correlation coefficient between gov and business performance is 0.0056, indicating statistical significance at the 1% level. As gov is an inverse indicator, this correlation coefficient implies that lower levels of government intervention are positively associated with superior business performance.

Table 5. Correlation analysis results.

	Roa	Gov	Inasset	Lev	Inboard	Ind	Cr	Dual
Roa	1							
Gov	0.0056***	1						
Inasset	0.0226***	-0.187***	1					
Lev	-0.135***	-0.176***	0.107***	1				
Inboard	0.0639***	-0.033***	0.113***	0.0105***	1			
Ind	-0.0325***	0.104	0.0136**	-0.0412	-0.63***	1		
Cr	-0.0024**	0.124***	-0.186***	-0.074***	0.042	-0.081***	1	
Dual	-0.0191***	-0.026***	0.0931***	0.061***	0.067***	-0.094***	-0.010***	1

4.3. Regression under DID

Table 6. Regression results of the impact of classification reform on the performance of commercial centrally-administered SOEs.

	(1)
VARIABLES	**Roa**
co.treat#co.time	0.019***
	(.)
o.treat	-1.16***
time	-0.029***
	(-7.31)
Inasset	0.006***
	(2.74)
Lev	0.049***
	(5.87)
Inboard	0.031**
	(2.25)
Ind	0.028***
	(0.61)
Cr	0.000
	(0.54)
Dual	-0.001
	(-0.26)
Constant	-0.074***
	(-1.71)
Observations	2,986
R-squared	0.047
F test	0
r2_a	0.0437
F	14.99

According to table 6, the interaction terms between the policy dummy variable and time dummy variable are significant at the 1% confidence level, regardless of whether other control variables are included in the regression. This indicates that, compared to private enterprises, commercial centrally-administered SOEs' business performance has significantly improved after the classification reform. Therefore, H1 is substantiated – that is, the business performance of commercial centrally-administered SOEs has improved after the classification reform, affirming the positive effect of the classification reform policy on the business performance of commercial centrally-administered SOEs.

4.4. Regulation effect analysis

Based on the regression results shown in the table 7, the coefficient estimate of the interaction term treat*time*gov is -0.004, which is significant at the 10% confidence level. As the Government-Market Relationship Index (gov) is a negative indicator, indicating that lower values of gov denote a higher degree of government intervention. Therefore, these results imply that when the gov is lower (i.e., the degree of government intervention is higher), the classification reform has a more significant effect on enhancing the business performance of commercial centrally-administered SOEs. In other words, these results support H2.

Table. 7. Results of regression analysis on the moderating effect of classification reform on the performance of commercial centrally-administered SOEs.

VARIABLES	(1) Roa	(2) Roa
Treat*time*gov	-0.004***	-0.004***
	(0.095)	(0.064)
Treat*gov	0.004***	0.002
	(0.005)	(0.425)
Time*gov	0.003	0.002
	(0.497)	(0.440)
gov	0.000	0.036***
	(0.568)	(0.001)
Treat*time	0.034***	0.031***
	(0.000)	(0.000)
treat	-0.035***	-0.021***
	(0.000)	(0.002)
time	-0.032***	-0.037***
	(0.002)	(0.000)
Inasset		0.015***
		(0.000)
Lev		-0.141***
		(0.000)
Inboard		0.007***
		(0.020)
Ind		-0.037***
		(0.000)
Cr		-0.007***
		(0.000)
Dual		-0.002
		(0.000)
_cons	0.029***	-0.215***
	(0.000)	(0.000)
YEAR	YES	YES
INDUSTRY	YES	YES
N	2,992	2,992
Adj.R-sq	0.027	0.195

4.5. Stability test

4.5.1. Robustness test

A stability test was conducted by shifting the time interval backwards to 2011-2018 and assuming the policy implementation year to be 2014. The regression analysis was repeated by altering the policy implementation date to assess whether the earlier findings were robust. The results, as presented in the table 8, suggest that there is no significant change in the regression outcome when the policy implementation time is altered. Hence, the results of the stability test further reinforce the conclusion that commercial centrally-administered SOEs demonstrate improved performance following the classification reform.

4.5.2. Replacing the existing explained variable with the rate of return on equity

To further validate the robustness of the results, the ROE (return on equity) was used as a proxy for business performance, and the regression analysis was conducted again. The results, as shown in table 8, indicate that the coefficient of the interaction term is significant at the 1% level, regardless of whether control variables are

included. These findings confirm the assertion that commercial centrally-administered SOEs exhibit improved performance following the classification reform, supporting the robustness of the conclusions drawn in this study.

4.5.3. Shortening the time period

To further test the robustness of the results, the time period was shortened to 2014-2017, and the regression analysis was conducted again. The results, as presented in table 8, indicate that the coefficient of the interaction term is significant at the 1% level. These findings provide additional support for the conclusion that commercial centrally-administered SOEs exhibit improved performance following the classification reform, lending further robustness to the conclusions drawn in this study.

Table 8. Robustness test.

VARIABLES	(1) Roa	(2) Roe	(3) Roa
c.treat#c.time	0.016	0.016***	0.003***
	(2.96)	(2.96)	(0.61)
treat	-0.013	-0.013***	-0.026***
	(-2.07)	(-2.07)	(-4.95)
time	-0.021	-0.177***	-0.003
	(-6.90)	(-1.07)	(-1.28)
Inasset	-0.002	-0.215***	0.000
	(-1.39)	(-2.92)	(0.13)
Lev	0.038***	0.518	0.047***
	(7.16)	(1.36)	(10.97)
Inboard	0.010	1.666***	0.029***
	(1.22)	(3.01)	(4.22)
Ind	-0.025	1.132	0.047**
	(-1.01)	(0.79)	(2.22)
Cr	0.000*	0.005**	0.000
	(1.82)	(2.29)	(1.14)
Dual	0.002	0.358	-0.003
	(0.65)	(1.19)	(-1.48)
Constant	0.021	-0.013***	-0.058***
	(0.87)	(1.26)	(-2.78)
Observations	2,992	2,992	1,496
R-squared	0.051	0.031	0.136
F test	0	0.000381	0
r2_a	0.0482	0.0231	0.131
F	17.84	3.860	26.07

5. Conclusion and Enlightenment

This study focused on commercial centrally-administered SOEs to explore whether the implementation of classification reform policy for SOEs has improved their business performance. Moreover, it also examined the moderation effect of different levels of government intervention across regions on the policy effectiveness. Empirical results demonstrate that: (1) compared with private enterprises, commercial centrally-administered SOEs exhibit higher performance following the implementation of classification reform. The reform strengthens their market-oriented direction, alleviating their social responsibilities while pursuing profits, and thus, improving their competitiveness more

freely and adequately. (2) From the perspective of external governance environment, different levels of government intervention across regions have an impact on the promotion effect of classification reform on the business performance of commercial centrally-administered SOEs. Specifically, in the regions with greater government intervention, the policy effect of implementing classification reform is more prominent, leading to clearer improvement in government intervention conditions among commercial centrally-administered SOEs.

Based on the research findings of this study, it is argued that the functional attributes of commercial centrally-administered SOEs exhibit duality. To ensure that SOE reform meets the needs of both SOEs and the market economy, this duality must serve as the logical starting point for reform. Therefore, SOE reform should be promoted on the basis of classification, rather than "pursuing all objectives at once". A "divide and conquer" strategy should be implemented based on the different functional orientations of various SOEs. This can entail placing greater emphasis on profitability or public responsibilities, while adhering to the principle of "reforming according to classification, development, supervision, responsibility assignment, and assessment". Furthermore, the effectiveness of SOE reform is influenced by the specific governance environment of each region. As such, local governments should actively respond to the national policy guidance for SOE reform and develop specific reform plans in accordance with their own circumstances. Governments should reduce their control and intervention in SOEs, strengthen market-oriented construction, fully promote marketization, and enhance the business performance of commercial centrally-administered SOEs.

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