

Preston University

Abstract of Graduation Thesis for the Degree of Doctor

**A Research on Management Escalation of Enterprise Run by
The People during its Growth**

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**« A RESEARCH ON MANAGEMENT ESCALATION
OF ENTERPRISE RUN BY THE PEOPLE
DURING ITS GROWTH»**

----Abstract----

The emergence and rise of enterprise run by the people in large numbers is one of the major achievements of the open up drive in China. The enterprise is a main component part of the Chinese economy. It is of rather great significance to study the growing process of the enterprise in a background when China is greatly developing private economy. This article focuses on the study of management escalations of the enterprise during its growth with the development of Shaoxing No. 1 Construction Group Company, Tianjin Branch, as a case in point.

Part I Idea and method of research and some new creations

I. Concept demarcation

There are 4 major divisions of the enterprise run by the people in the domestic theoretical field in China, i.e., the broad scope faction, the sub-broad scope faction, the medium scope faction and narrow scope faction.

Broad scope faction: It includes 7 categories of enterprise, i.e., enterprise owned by the State but run by the people (including enterprise owned by the public but run by the people), state-owned holding enterprise run by the people (part of the stock system enterprise), non-state-owned enterprise run by the people (part of the stock system enterprise), township enterprise, private enterprise, individual enterprise and equity joint venture.

Sub-broad scope faction: It includes 6 categories of enterprise, i.e., excluding the equity joint venture from the broad-scope faction. The 6 enterprises are enterprise owned by the State but run by the people (including enterprise owned by the public but run by the people), state-owned holding enterprise run by the people (part of the stock system enterprise),

non-state-owned enterprise run by the people (part of the stock system enterprise), township enterprise, private enterprise and individual enterprise.

Medium-scope faction: It includes 4 categories of enterprise, i.e., excluding enterprise owned by the State but run by the people (including enterprise owned by the public but run by the people), state-owned holding enterprise run by the people (part of the stock system enterprise) from the sub-broad scope, leaving the rest 4 categories that are non-state-owned enterprise run by the people (part of the stock system enterprise), township enterprise, private enterprise and individual enterprise.

Narrow-scope faction: It includes 2 categories of enterprise. i.e. the private enterprise and the individual enterprise.

We are of the opinion of the sub-broad scope faction in the classification of enterprises run by the people. They include township enterprise, private enterprise, collective enterprise, state-owned enterprise run by the people and hi-tech enterprise run by the people etc.

II. Background for selection of the theme:

On one hand, mechanism is major advantage of private economy during its fast expansion in China in the past 20 years. However, its disadvantage has been exposed with the entry of multinational corporations into China. On the other hand, most of the private enterprises have entered their second phase of pioneering, encountering obstacles in management during the transfer from the mechanism of emergence to that of development.

Confronted with the entry of foreign enterprises and dramatic changes in domestic situations, the enterprise run by the people will have no future if it still persists in its own way in doing things or only considers its development with reference to domestic market. Therefore, it is necessary to consider its management escalations so as to keep in line with international standard.

The article has great realistic significance for the selection of its theme. Confronted the international competitors after the China's entry into the WTO, The enterprise run by the people grown up in a comparative close market environment has met new challenges, the key factor

being the environmental difference of the systems. The greatest challenge to the enterprise is how to transfer the former advantage which is more flexible comparing with state –owned enterprise into another one that may better cater for the need of market competition. The urgent and realistic objective of the enterprise run by the people is a “biplane” flying performance of a flexible mechanism and standard system

Besides, the private economy has encountered various challenges during its development, meeting with management obstacles on its way for further growth. This has something to do with the fact that the enterprise has developed into the new restrictive stage of the property ownership right etc. and therefore it is necessary to find out the root cause relating to the system after a research of management levels of the enterprise.

? . Idea of study

The article has rendered a further research on the management escalation of the private enterprise during its growth proceeding from the angle of management escalation with adequate reference to the achievements in the research of the sector.

The private enterprise started its rise with the development and deepening of the reform and open up drive in China since 1980s. The article has focused its efforts on putting forward a basic theoretical framework of management escalation of the enterprise, indicating an overall study of property ownership system reform, optimized administration of company, management upgrading of human resources, development strategy and core competitiveness etc., obtaining primary achievements in this line, on the basis of deep analysis of the new economic phenomenon in the economic practice in our country.

The article does not treat the management escalation of the enterprise as an isolated case, but has grasped several major points relating to the management of the enterprise proceeding from the angle of its overall escalation, and analyzed the issues of the entire process of its continuous existence and further growth.

The first thing we need to consider and care is the property ownership system, which is the basis of all management systems when there is a fast growth of the enterprise run by the people.

Reform of the property ownership right system directly affects the management and its policy decision. Secondly, we need to study the government of the company of the enterprise. The property ownership right system is the basis of company government, which is also the foundation of other management systems of the enterprise. The decision-making mechanism and senior talent encouragement out of the company government have great impact on other management system and flow. We focus our efforts on other systems of managements of human resources and strategy which we believe are weak links of the private enterprise, especially strategic management. The private enterprise has some popular problems even in the management of human resources relating to recruitment, keeping, use and government of personnel and enterprise culture. The reform of property ownership right system will affect management of human resources through share holding of staff members while company government will affect management of human resources through talent management. Management of human resources means to encourage strategic development and core competitiveness by mobilizing the enthusiasm of the people and the policy decision mechanism of the company will also have direct impact on it.

We are in the belief that different management system arrangement will lead to different management practice and will therefore produce different achievement and efficiency of the enterprise. The perfection of management system of the enterprise run by the people should be based on the need of internal management of the enterprise while the improvement of internal management of the enterprise is increasingly restricted by the perfection and escalation of enterprise management system.

Please refer to the following diagram for above thinking and logical relations on the next page.

The enterprise run by the people will finally realize its escalation in management, which will be good for its continuous growth, reduction of risks during the process of its growth, on the basis of optimization of various systems and relevant performances. This will be one of the major orientations for the development of enterprise run by the people in China. The enterprise

run by the people mainly relying on out-expansion for its growth has already been greatly affected by macro control in 2004 and the enterprise that focuses its efforts on increasing its own strength for an upgrading will be able to succeed in avoiding such a risk.

Diagram I Research thinking:

- (1) Growth of enterprise run by the people**
- (2) Reform of property ownership right system**
- (3) Optimization of company government**
- (4) Upgrading of human resources management**
- (5) Development strategy & core competitiveness**
- (6) Management escalation**
- (7) Property right theory**
- (8) Theory on agency, theory on related interests**
- (9) Theory on human capital**
- (10) Theory on strategic management, theory on core competitiveness**

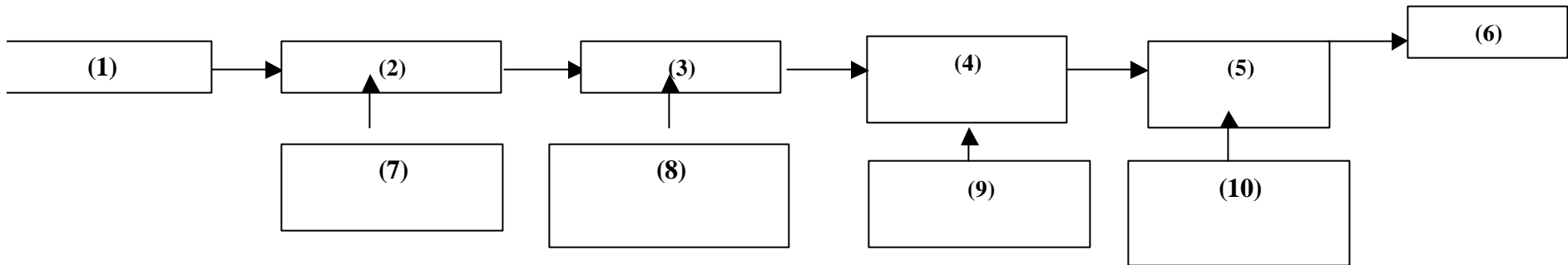


Diagram II Logic relations of research thinking:

1. Policy decision mechanism
2. Property right structuring
3. Mechanism of talent government
4. Manifestation of talent value
5. Reform of property right system
6. Optimization of company government
7. Upgrading of human resources management
8. Development strategy and core competitiveness
9. Share holding by staff members

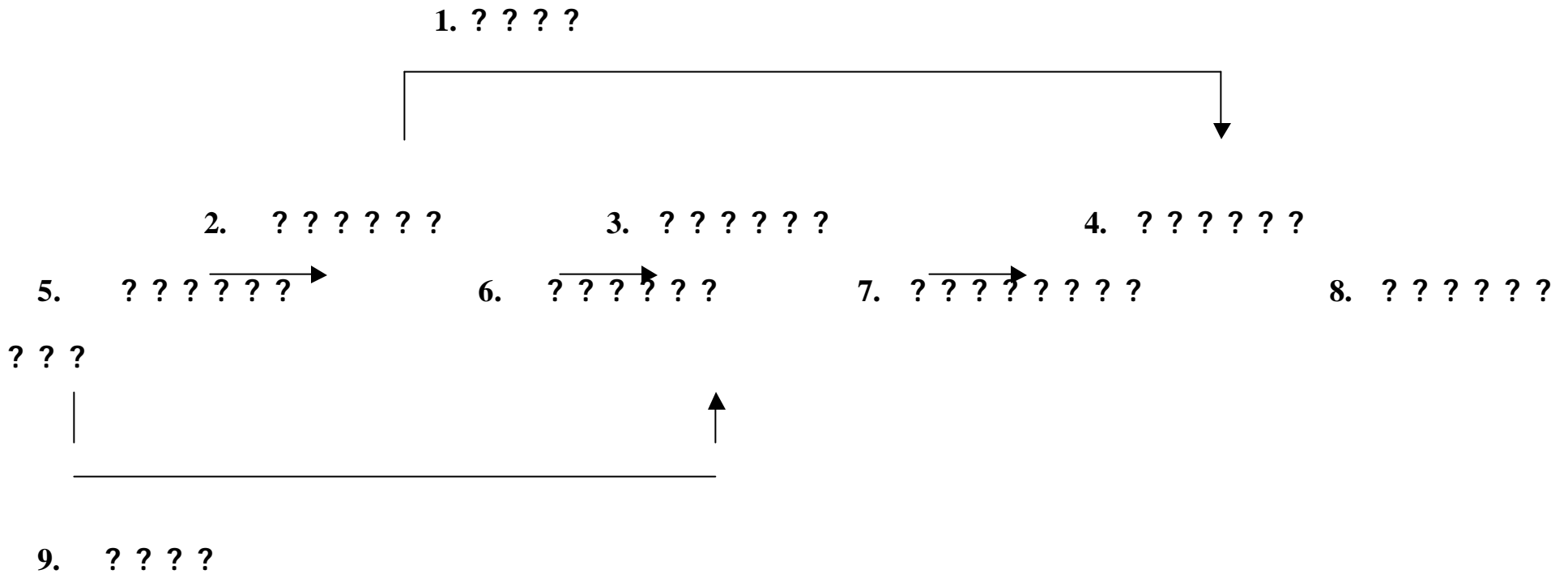


Diagram II Logic relations of research thinking

IV. Method of research and new creations

Research methods like evidence analysis, standard analysis have been adopted in combination of special case analysis in this article, forming a framework for the management escalation of the enterprise run by the people on the basis of proving the research of the management escalation of Chinese enterprise run by the people and general analysis of the practices of relevant enterprises. In addition, it has applied the relevant theory in analyzing the issue relating to management escalation of Shaoxing No. 1 Construction Group Company, Tianjin Branch and made an analysis of the counter policy.

Some new creations in the thesis:

1. It has conducted a creative study of the property right of the enterprise run by the people, putting forward the orientation of the enterprise towards social and public development. It has made a deeper study of and an exploration into the shareholding by the staff members, stressing its increasing impact on the growth of the enterprise. This will be a key issue in the further escalating growth of the enterprise.

2. The decisive factors in company government of the enterprise run by the people are talent, capital and property right, whose organic composition forms the 3-way model for company government of the enterprise. The intension of the model is that the 3 factors must maintain an adequate balance and the government may meet with various problems once there is a loss of balance. The analysis of the 3-link models proceeding from 3-dimensional evolution of talent, capital and property right will finally lead to a complete general 3-dimensional evolution diagram. It has made a further combined analysis of 5 elements of the 3-link model, government border, government risk, government structure and government benefit. It has pointed out that the curve diagram showing the government cost of the enterprise run by the people is one of S shape instead of one of tilted U shape. Its impact factors include cost for change of property right, the change of capital and the adjustment of talent.

3. The relevant preventive counter policy has been put forward from the analysis of inner control of the people proceeding from the angle of property right, the ability and faith. It

occupies an important position in the restraining mechanism for the company government of the enterprise run by the people.

4. There exists the theoretical best mode in the relations between the optimization of decision policy mechanism, the opening up of property and the introduction of talent of the enterprise run by the people, the best mode for introducing talent and the controlling ability of the entrepreneurs of the enterprise run by the people being consistent to each other. The greater the ability of the entrepreneurs, the broader of the area of its introduction of talent.

Part II New creations in property right system

? . Theory on property right

The theory on property right emerged along the appearance of economic schools during the end of the 19 Century and the beginning of the 20 Century. The major items of its study focus on economic theory on the demarcation of property right, measurement of trade expenses and their comparison. Up to the 50s of the above century, the theory on property right economics of the 2 theoretical systems being widely divergent represented by Garbles and Keas came into emergence. Later, the two theatrical systems were further enriched and developed by Williams, Damsels, Bookmen and Shoals etc.

The issue concerning the property right of the enterprises run by the people is one of the hot spots for our study. The enterprise run by the people has succeeded in a long-range development with the deepening of reform and opening up in our country. However, some problems existing in the enterprise itself have been exposed along with its development. The issues relating to the structure of property right and the share right out of the existing ones are the key restricting the development of the enterprise.

? . Reform of the property right system of Tianjin Branch

Shaoxin No. 1 Construction Group Company used to be a national enterprise before the evolution. It has the following problem:

1. Government affairs and enterprise conduction were not completely separated from each other.
2. Transfer of administrative mechanism was slow.
3. The mechanism of the enterprise for using personnel was not flexible. Right and responsibility were not quite clear.
4. Management system was backward and needed to more scientific

Reform of its property right system mainly include:

1. Quit of State fund from normal competitive field.
2. Reform of property right system of the company.

The policy of the company for system restructuring is: The manager holds most of the shares, the key members of the management hold more shares and the staff members may hold shares on voluntary basis. Owing to good preparations, the company has been quite successful in obtaining a better prospect for development and fund collection. All the medium level cadres and project managers have purchased shares accompanied with active purchase of shares by the broad staff members, resulting in a total fund collection of 60.96 million yuan (including investment with equipment by some project managers). At that time, the over 40 natural persons held 58% of the total shares, the board of the share-holding staff members, 42%. The name of the company formally changed into Shaoxin No.1 Urban Construction Group Co., Ltd., resulting in the complete withdrawal of State asset from the company.

Reform of property right system has obtained obvious efficiency:

- (1) Property right demarcation has become clear.
- (2) Staff members have become shareholders.

During the system restructuring process, Shaoxing No. 1 Urban Construction Group Company succeeded in collecting social capital and realized share holding by the staff members within the company. During the phase for fund collection, all the cadres above the medium level

and the project managers joined the share purchasing accompanied with the active participation of the broad staff members. The fund collected reached 60.96 million yuan (including the investment with equipment by the project managers). The shares held by more than 40 natural persons reached 58% of the total while those held by the board of staff share holders occupied 42% of the total, with a complete withdrawal of State asset. The entire managers, the medium level leaders and the ordinary staff members hold shares. 90% of the shares are held by the managers, 8% by the medium level leaders and 2% by the ordinary staff members. This means the shares held by the people at the management level has reached a certain level, greatly encouraging their enthusiasm in management work. Their carefulness in policy decision for investment and development of talents can no longer be compared with. Besides, the share holding by the staff members helps improvement of the structure of share holding and mobilizes the enthusiasm of the staff members, thus enabling them to share common risks and profit and becoming one body of common benefit. The agency charges have been greatly reduced as a result. Meanwhile, it may also reduce the risks and strengthen scientific decision policies of the enterprise and facilitate its continuous and steady development.

(3) Gradual perfection of the governing structure of the company featured by better performing of the rights of the shareholder's conference, board of directors and board of supervisors.

? Orientation of property reform of Tianjin Branch

1. Socialization of property right

In a certain sense, Tianjin Branch belongs to family enterprise. Property socialization of family enterprise is the orientation for its future development.

It can be seen that the enterprise run by the people has become mature and perfect day by day with its gradual growth, proceeding from the process of its property right evolution. The property will become more scattered to bring about the emergence of common ownership of various property right bodies, thus encouraging more perfection of the system of the shareholder's conference and the board of directors of the enterprise. In addition, the

socialization and transparency of the enterprise will increase. The cause of such an emergence is the large amount entry of social funds. Besides, the diversified management of the enterprise run by the people will lead to pluralism of the property right. With the adjustment of relevant State policy, the property right structure of the enterprise run by the people will change to pluralism on the basis of specialization to realize cooperation management of several enterprises. This extensive cooperation will also take place during the change of property rights of various enterprises and various enterprises run by the people.

Specifically speaking, Tianjin Branch may start working in the following aspects:

(1) Accurate command of the cut-in point.

(2) Extensive absorption of social fund.

(3) With the growth of the company, combination of capital investment on larger scale and in more forms may be considered, including, combination of enterprise run by the people and enterprise of other natures, combination of industrial capital and financial capital, combination of long term capital and short term capital, combination of industrial capital and venture capital etc. Such cooperation will bring about changes in the management form and property right form of the enterprise run by the people and therefore encourage its development from an single enterprise in one particular region to a cross-industry and cross-region one, and an individual and family enterprise into one with plural property right.

(4) It is not the case that the more scattered the property right of the enterprise, the better, during the forming of a plural major investment body. Besides, plural property right is only a gradual process. It is not good to encourage plural property right for the sake of plural property right. It should be conducted in combination with the restructuring and development in relation to its process and steps so as to avoid undue upheaval or additional cost for coordination.

2. Popularization of property right

It means the shareholding by staff members, including technological shares and management shares. The enterprise can only realize consolidation of social resources, which are most valuable, by its socialization, and popularization of property right. From a long-term point

of view, this is an inevitable trend.

Although some management personnel of Tianjin Branch have become shareholders, it is only on a small scale and with limited efficiency. The scale needs to be expanded and a more encouraging method should be adopted.

The following principles must be embodied and observed in the share holding activities of the staff members:

The combination of encouragement and restriction, the combination of the interests of the investor, the manager and staff member, protection of the staff member's interests and development of the enterprise, priority right and willingness of the staff members in their purchase of the shares, combination of the short term and long term interests of the manager and the staff member, combination of the reform of distribution system and reform of other relevant supplementary systems, and the combination of bold exploration and steady performance.

The enterprise should, in consideration of its history and present situation, balance the relations between the percentage and numbers of the shares held by the staff members, between real share and promissory share, department and position and the interests between the available staff members and the new comers, for the purpose of establishing a set of effective property right structure and encouraging systems for promoting virtuous expansion of the enterprise.

Part III Company government

I. Theory on agency and parties with related interests

The appearance of company has brought about the objective emergence of the owner of the enterprise (the principal) and the manager of enterprise (the agent). Since the principal and the agent have their different objectives, it is of great importance for the establishment of an effective mechanism between the enterprise and its manager which is able to develop the talent of the agent fully under protection of the interests of the principal when the two rights of the enterprise are separated. This is the theory on agency.

The investor owns a company since its birth, excluding the qualification of other interest-related parties to become a principal. People advocating the theory on related interests believe a company is a combination of various investment parties while the shareholder is only the provider of capital. In addition, there are the supplier, the accommodator, the customer and the staff member in particular who all make special contributions to the enterprise. The management of the enterprise would affect their interests as well as those of the shareholders. Accordingly, they should also enjoy the right to govern the company. At present, the related interest theory has become the major one for the government and development of the company in the world.

II. Model for government of enterprise run by the people

The major three elements for government of enterprise run by the people are capital, talent and property right, forming up the 3-element model of company government.

The model is a complex system composed of the 3 elements of talent, capital and property right which are related to and also independent of each other. The pretext is that the 3 elements must maintain a balance. Problems will occur when there is a loss of balance like disputes relating to talents and conflicts for power etc. The model is helpful to study internal functions of the enterprise run by the people, providing a tool and thinking for studying the government of the enterprise. It helps the company design and shape a relevant government mechanism according to its own situations and the special feature of its sub-branch.

(1) Evolution of capital dimension

The evolution consists of 3 phases: close of capital, partial open of capital and entire socialization of capital. It is very difficult for social capital to enter into the enterprise run by the people at its initial stage. Meanwhile, it is not the best time for social investment (great loss relating to shares) even if the enterprise hopes to introduce the capital. Therefore, most enterprises run by the people adopted the form of capital close instead of open financing. With the development of the enterprises accompanied with their increasing demand for capital, some of them started to sell some shares to others for absorbing social capital. This is still the phase for

partial opening of capital collection since most of the owners of the enterprises still controlled the absolute majority of the shares. During the third phase, the enterprise has further expanded with the increase of its actual strength and a greater demand for capital. This is the phase of its full socialization when some of the enterprise would become listed for socialization of their capital. Companies not listed have also absorbed much more social capital in comparison with the former phase.

(2) Talent dimension evolution

Many enterprises run by the people have been initiated and grown up by relying on relatives, friends and schoolmates, still stamped with the brand of “family” when they have developed to a considerable scale. This is the first phase, a stage of family enterprise (broad sense). They find that more talents are needed with their growth and therefore start selecting senior management personnel from people other than their family members, allowing them to enter the higher-level management. Normally, these people cannot occupy the central key positions (like general manager, board chairman and financial supervisor etc.). This is one normally named as non-core talent period. The third phase is one featured by increased management levels, extended scope of management and even more difficult management, asking for introduction of core talents. At present, there are few enterprises run by the people that have entered this stage in our country. Actually, there are a considerable number of enterprises run by the people that have introduced core talents for the sake of becoming listed (For instance, Shengda Network Company has invited Tangjun who used to be the president of the former China Software Co., Ltd., as its president so as to become listed in the USA.)

(3) Evolution of property right dimension

The initial stage of the enterprise run by the people is named 2-right combination stage since there is no agency relationship and only a single organization for policy decision,. The ownership right and the management right are combined into one which are helpful to reduction of inner consumption of the enterprise, easy control of the enterprise, its transaction cost and supervising cost. With its gradual development, it ushered in the period of talent introduction and

partial selling of control right but still controlled absolute majority of the shares. This is the second stage. Later, the enterprise started introduction of social capital, changed the structure of property right, realized separation of the two rights of property ownership and management, starting transition towards modernized enterprise. The basic orientation is for patricidal socialization and public performance of property right. On one hand, socialization of property right may introduce social shareholders to create virtuous systematic foundation for a long and continuous development of the enterprise run by the people. The strong points include more financing capital, separated risks and effective control of the common practice of one-person decision in the enterprise run by the people. The listed share of the enterprise is a major form of socialization of the property right. On the other hand, the public performance of property right means shareholding by staff members including technical shares and management shares. The most valuable social resources can be consolidated only by socialization and open performance of property right of the enterprise run by the people.

? . New creations in government of Tianjin Branch.

1. Creation of encouraging mechanism: Ready for implementation of EVA system.
2. Creation of supervising mechanism: Adoption of grouping strategy to prevent monopoly of internal personnel.
3. Creation of policy decision mechanism: Realization of policy decision perfection by public performance of property right and introduction of talent.

Party IV Management of human resources

? . Theory on human capital

The concept of human capital originated in the study of Professor J. R. Walsh of the Economics Department of the Harvard University of USA and finally took form in the study of the Professor T. W. Schultz of the Economics Department of Chicago University of the USA. There was a faster development of the U.S. economy at that time. The economists found there

was a surplus of 33% that could not be explained when analyzing the growth of the US economy. Later, it was found that the surplus was created the increased quality of labor power after great efforts of many economists. The quality increase of labour power is from the investment in human mental and physical power. This is where the concept of human capital has arisen so as to differentiate it from material capital and monetary capital.

Human capital is playing an increasing important role in the economic growth and system arrangement of the enterprise. Managers of modern enterprise, especially the manger of human resources must pay attention to the theory on human capital. They can gradually upgrade the management efficiency of human capital and scale a new height only by increasing the value of human capital of the enterprise. So far we have obtained a common understanding in theory: Human resources like money and material capital are all key elements for creation of benefit of the enterprise.

? Systematic reform and shareholding by staff members of Tianjin

Branch

Previous problems relating to human personnel system:

1. Scarcity of human resources, making recruitment of personnel difficult.
2. Regulations in disorder, making it difficult to control people.
3. Poor treatment, making it difficult to retain people.
4. Loss of balance in award and punishment, making it difficult to convince people.
5. Irregular mechanism, making it difficult to make use of people.
6. Cultural vacuum, making it difficult to educate and cultivate people.

Major ideas for reform:

1. Implementation of shareholding by staff members and encouragement of share right.
2. Perfection of talent introduction mechanism.
3. Control of the structural level of human resources.
4. Establish remuneration encouragement system of people first.
5. Stressing restricting mechanism of human resources.

? . Examination of achievement and efficiency of Tianjin Branch.

Tianjin Branch takes the examination of achievements and efficiency as a method for reaching strategic purpose and cultural intensification of the enterprise. It has adopted the various most advanced examination methods in accordance with its own conditions and current situations like the system for report on their work by high-ranking leaders, all dimensional examination of the staff members of various departments etc.

Form I Achievement and efficiency examination system of the company

Level	Content of examination	Method of examination	Period of examination
High level manager	Achievements & efficiency for strategic objective	Report on one' sown work	Months
Medium level manager	Achievements and efficiency in work for implementation of strategic objective	Report on one's own work	Months
Staff member at grass roots of various departments	Fulfillment of duties according to work plan	All dimensional examination	Months
Project staff member	Overall achievements of the project for strategy of the company	Score card	Months

Part V Development strategy and core competitiveness

? . Theory on strategic management and core competitiveness

As an important theoretical basis for the strategic development of enterprise, the theory on strategic management started its development in 1950s has undergone 4 major development periods and finally become the theoretical system as it is today. Owing to characteristics of the

era and actual need, Strategic management has developed into several major schools during its growth. The article has summed them up in 4 major schools, i.e., the school of competitive strategy, the school of resources arrangement, the school of designing strategy and the school of core competitiveness. We shall make an analysis of each of them for their representative persons and main ideas. Owing to its special importance, we make an independent analysis of the school of core competitiveness.

II. Development strategy of Tianjin Branch

Shaoxing No. Urban Construction Group Company Tianjin Branch has made the development strategy of the enterprise featured by emphasis on relevant points and areas and gradual deepening descriptions proceeding from the 3 major aspects of strategic orientation, strategic objective and method for realizing the strategy.

First is the strategic orientation of Tianjin Branch, which includes two layers. The first layer is to enable the company to become a dragonhead group enterprise run by the people with real first-rate competitiveness and leading the trend of the construction industry with the orientation for development around construction industry. The second layer is firm occupation of the field of construction industry by the its main body and meanwhile emphasizing the establishment of the system of human resources, organizational restructuring, financial management and distribution.

Besides, pluralism is the inevitable trend for the development of all enterprises. Tianjin Branch will expand its business to relevant areas like property and real estate management and decorations etc. while firmly sticking to its major line of construction industry for gradual expansion of its entire business.

Second is the strategic objective to be made in line with the actual conditions of the enterprise for its long-term and short-term growth respectively. Tianjin Branch has a 3-layer strategic objective, which is for long-term, middle term and short-term development. The long-term strategic objective of the enterprise is to enable itself to become an aircraft carrier in the field of construction industry in China. The middle-term objective is its fast growth towards the purpose for becoming a first rate dragonhead group enterprise run by the people with

real competitiveness and leading the trend of the sector within 10 years. The short-term objective is an annual one which is made by the Branch Company on the principle of neither too rash nor too conservative in the making of a pragmatic annual objective for sincere and earnest implementation.

Third is implementation of the strategy. Realization of the strategic objective of Tianjin Branch relies on both of its internal and external performances.

Externally, it must have famous brands for its products, render excellent services to win over customers and meanwhile, carefully and conscientiously conduct various business activities and learn good experiences from other first rate enterprises so as to increase its actual strength. Internally, it must rely on a clear property right structure and various perfected mechanisms.

The Branch Company has obtained the present achievements with the help of a good strategic management. It is believed that the rational strategic management ideas will certainly facilitate its more magnificent achievements.

What should be mentioned in particular is that the Branch Company has clarified the value chain for its proper expansion, i.e., a pluralistic strategy based on development of its core competitiveness. This is of great importance for the future development of the Company.

III. Increase the core competitiveness of Tianjin Branch.

While making efforts in increasing its core competitiveness, Tianjin Branch must well consider the 3 prerequisites: plenty value of customers, possessing a unique feature and great ability in expansion which means handling of more products and support of regional markets to facilitate overall development of the enterprise.

The above 3 conditions serve as the principles for demarcation. The Branch confines its core competitiveness into the ability to obtain profit (its annual profit gaining ability and see if there is an annual rise in profit), market (ability to conduct overall market research, command of individual and group demand, quick reflection and consolidation of resources etc.), quality (quality assurance of project management, quality assurance of planning and designing and quality assurance of project conduction), brand name (general image of enterprise, image of

project product, image of personnel of the enterprise, ability in sales organization and ability in publicity). Market, quality and brand name are the shell of the competitiveness while the explanations in the brackets are the intention of the core competitiveness of the enterprise.

Concretely speaking, the Branch intends to build up its competitive advantage for increasing its competitiveness in the following aspects:

1. Development of core competitiveness of the enterprise.
2. Protection and consolidation of the core competitiveness of the enterprise.
 - (1)Implementation of strategic management of enterprise.
 - (2)Strengthening construction of management system.
 - (3)Cultivation of information system.
 - (4)Study and accumulation of knowledge and skill.
3. Intensification of ability to consolidate strategic resources.
4. Core competitiveness in making new creations.

Set up and consolidate a foundation platform for making new creations.

It includes a systematic support mechanism, a knowledge creation mechanism and strategic creation mechanism.

(1) Seek new growing spots for cultivation of core competitiveness on the basis of its existing core ability and then cultivate these new points into the core competitiveness of the enterprise, i.e., find out the competitive advantages of the enterprise by analyzing and summarizing of its management, technology, distribution personnel and distributive markets and then confirm that they are growing spots for core competitiveness.

5. Support cultivation of core competitiveness with pluralism.

Shaoxing No. 1 Urban Construction Group Company Tianjin Branch has succeeded in gradual expansion of management on scope and scale, continuous increase of economic benefit and accomplishment of original accumulation of capital, bringing about the emergence of its core competitiveness, after long years development. On one hand, it has got the actual strength for pluralistic development, and on the other hand, the Branch needs support of a pluralistic strategy

for its core competitiveness and further development. Therefore, the Branch has decided to take bottleneck of the periodical development of core competitiveness as a cut-in point and a pivot for an expansion to pluralism. It is intended to support the core competitiveness in realizing a breakthrough during its periodical development bottleneck to push forward the core competitiveness and cultivate it into a new stage.