


A Classic Book That Displays the Wisdom of  
a Master in the Management of State-Owned Enterprise

# Chang Dechuan on Managing Chinese Enterprises

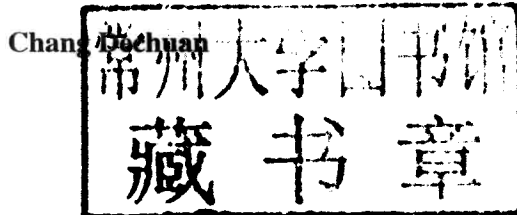
Chang Dechuan


 Prunus Press USA



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## **Preface**

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I have always held that when our country is shifting from the socialist planned economy to the socialist market economy, we must persist in proceeding from reality and national conditions in order to reform and develop enterprises. We shall constantly bring forth new ideas in enterprise management. And we shall adhere to the new thought of “keeping the initiative in our own hands, drawing upon the advantages of the others, and integrating and refining such advantages to forge our unique strength”, and open up a new road suitable for China. During these years, we are delighted to see such persistent pursuit and successful results from Mr. Chang Dechuan.

In 1981, Mr. Chang became the Deputy Director-General of Qingdao Port Authority, becoming the youngest leader of port authority among the national coastal ports. In 1984, he served as the secretary of the CPC Committee of Qingdao Port Authority, and in 1988, he was appointed the Director-General when Director-General to take up the overall responsibility for the Port. Under his leadership, Port of Port of Qingdao has changed significantly and entered a new era. In his work, he always adheres to the

guiding ideology of “adhering to the Party’s basic line, upholding Deng Xiaoping Theory, carrying out the important thought of ‘Three Represents’, applying the Scientific Outlook on Development, persisting in proceeding from reality in all things and running the business of Port of Qingdao well”. By doing so, he helped Port of Qingdao to find the right direction for and the key to development, and promoted Port of Qingdao to open up a successful road to the revitalization of state-owned enterprises (SOEs).

When he just assumed the leadership of Port of Qingdao in early 1980s, Port of Qingdao was only a domestic feeder port with an annual throughput of 20 million tons, which was faced with difficulties and challenges. Through twenty years of reform and development, Port of Qingdao has emerged to be the world’s 7th largest port with an annual throughput of over 300 million tons. It is now an important regional international shipping center of China, and has made great contribution to China’s economic development.

As an entrepreneur, Mr. Chang Dechuan does not imitate and follow others blindly. In light of Port of Qingdao’s real conditions, he integrates the modern managerial experience of western developed countries with the traditional managerial ideas of China, and successfully established the socialist enterprise management mode with Chinese characteristics — Mode of Port of Qingdao. This mode enriches the connotation of Chinese-style enterprise management, opens up a successful road for the reform and development of SOEs, and makes contribution to improving the management of Chinese

enterprises.

For two decades and more, Mr. Chang Dechuan has been leading the staff of the Port to pursue perfection and make advancement with courage, and has created new feats one after another, with which we feel excited. This is a great achievement in reforming the SOEs, and further strengthens our confidence that the reform of SOEs is bound to succeed. Mr. Chang Dechuan compiled and published his over 20 years' of experience and insight on managing and starting enterprise, which, I think, is of high value. I really hope that business executives can get enlightenment and encouragement from the book *Chang Dechuan on Managing Chinese Enterprises*. I also hope Mr. Chang Dechuan can lead the port staff to continue their struggle against tremendous odds so as to build Port of Qingdao in a better and quicker way, create more successful experience, and make new contribution to Chinese enterprises, especially to the scientific development of large-scale SOEs.

yuan baohua

## Introduction to Port of Qingdao

Established in 1892, Port of Qingdao is a super-large state-owned enterprise with 24,000 employees, out of whom there are over 8,000 migrant workers. Port of Qingdao is mainly engaged in international passenger service and logistics service such as the loading, unloading, storing, transshipping and allocating of containers, crude oil, iron ore, coal and grain. It has established trade relations with more than 450 ports of over 130 countries and regions. It is equipped with the world's largest 15,000TEU container terminal, 400,000DWT iron ore terminal, 300,000DWT crude oil terminal and 100,000DWT coal terminal.

The total assets of the port was only RMB 180 million in 1978, but it reached over RMB 27 billion by the end of 2010, 150 times as much as 1978. Nearly all the 150 times growth of assets was made through self-accumulation by the Port itself, verily creating more than RMB 26 billion of fine assets for the country. Since reform and opening up, Port of Qingdao has turned in 19.6 billion yuan of taxes over to the state, more than 140 times of the port's value in its early stage of reform and opening up. All debts were paid off 17 years ahead of schedule, and debt ratio of the Port is zero. Port of Qingdao

has been the largest payer of local taxes in Qingdao for 7 consecutive years, and for 3 years in a row has contributed more than of the city's state-owned capital gains. The port is ranked among China's top 500 enterprises, top 500 enterprises in service sector and top 200 enterprises in economic benefits.

Port of Qingdao has won over 200 state, provincial, municipal and ministerial golden prizes, including the Golden Horse Prize for the National Excellent Enterprise, the National "May Day" Labor Diploma, the Advanced Collective in Establishing "Four Goods" Leading Group among the National SOEs, the National Model Enterprise with Harmonious Labor Relations, the first China Quality Management Award, the first Yuan Baohua Enterprise Management Golden Prize, the National Civilized Unit, the National Model Unit in Establishing Learning Organization, and the Superlative Enterprise in Energy Conservation and Emission Reduction.

Since 1995, Port of Qingdao has been a model in China's transport industry and the only "model window" in the national port industry. It was designated as a significant model of SOEs by the State Council for 3 consecutive times. For 3 times, it was chosen by six ministries and commissions, including the Propaganda Department and the Central Organization Department of the Central Committee of CPC, to be a member of the report group for vitalizing SOEs and made touring reports across the country. On July 15, 2007, the Central Propaganda Department of CPC Central Committee, All-China Federation of Trade Unions, the Ministry of Transport, CPC Shan-



dong committee and CPC Qingdao committee jointly held the grand “High-Level Seminar on the Scientific Development Mode of Port of Qingdao” in the Great Hall of the People, and spoke highly of the port, saying “Port of Qingdao successfully established the socialist enterprise management mode with Chinese characteristics: Mode of Port of Qingdao”. On April 25 and December 14, 2007 in Zhong Nanhai, the Policy Research Center of CPC Central Committee respectively held a forum on Port of Qingdao’s application of the Scientific Outlook on Development. Leaders and experts attending the two forums agreed that the Port’s practice of scientific development was a valuable treasure for the Party, the country and society, and that it was a banner for SOEs to make reform and acquire development, a successful model in the application of the Scientific Outlook on Development, an example in realizing sound and fast development, and a typical representative in the construction of the socialist core value system. On August 15, 2010 in the Great Hall of the People, 8 ministries and commissions from the central, provincial and municipal governments jointly held the “High-Level Symposium on the Experience of Port of Qingdao in the Management of Migrant Workers: Fresh Troop of Industrial Workers in the New Age” to promote its successful experience in the management and cultivation of migrant workers. On August 24, 2011, the on-site working conference on deepening the open and democratic management of corporate affairs was held in Port of Qingdao. The conference lasted for over three hours, and Mr. He Yong, Secretary of department of clerk of CPC Central Committee, and Vice Secretary of CPC Central Discipline Commission, attended the whole conference and went

through the conference in details. He set a high value on the port, saying “Port of Qingdao has profound significance for reference in running SOEs, and its successful experience shall be popularized throughout the country.”

Port of Qingdao has won high praise from the Party and state leaders. President Hu Jintao gave his affirmation that the Port, under the severe circumstances of international financial crisis, “acquired a relatively good achievement, which is hard-earned.” Wu Bangguo, Chairman of the Standing Committee of the National People’s Congress autographed his instructions, “Reforms of state-owned enterprises rejuvenate the old enterprises, and this is largely attributed to Mr. Chang Dechuan’s contribution”. Premier Wen Jiabao read and spoke highly of the book *Chang Dechuan on State-Owned Enterprises*, “This book is concentration of your forty years’ experience in managing the SOE. It is very good, and comes uneasy.” He highly praised again during the sessions of the National People’s Congress and the Political Consultative Conference of the Chinese People, “Port of Qingdao is of great significance and it has cultivated a lot of talents. The Port has a solid foundation. Both the management and the employees’ quality are excellent. ”

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An enterprise should perform enterprises' responsibilities; an enterprise leader should perform the entrepreneurs' responsibilities; an enterprise executive should perform the enterprise's executive responsibilities; and an enterprise employee should perform the employees' responsibilities. Responsibility is the root of enterprises.

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I agree strongly with the definition of management given by the modern management master Peter Drucker, who holds that management is a mission to define enterprises, and it inspires and organizes human resources to realize this mission. Defining this mission is the task of entrepreneurs, while inspiring and organizing human resources is within the domain of leadership. The combination of the two sides forms management.

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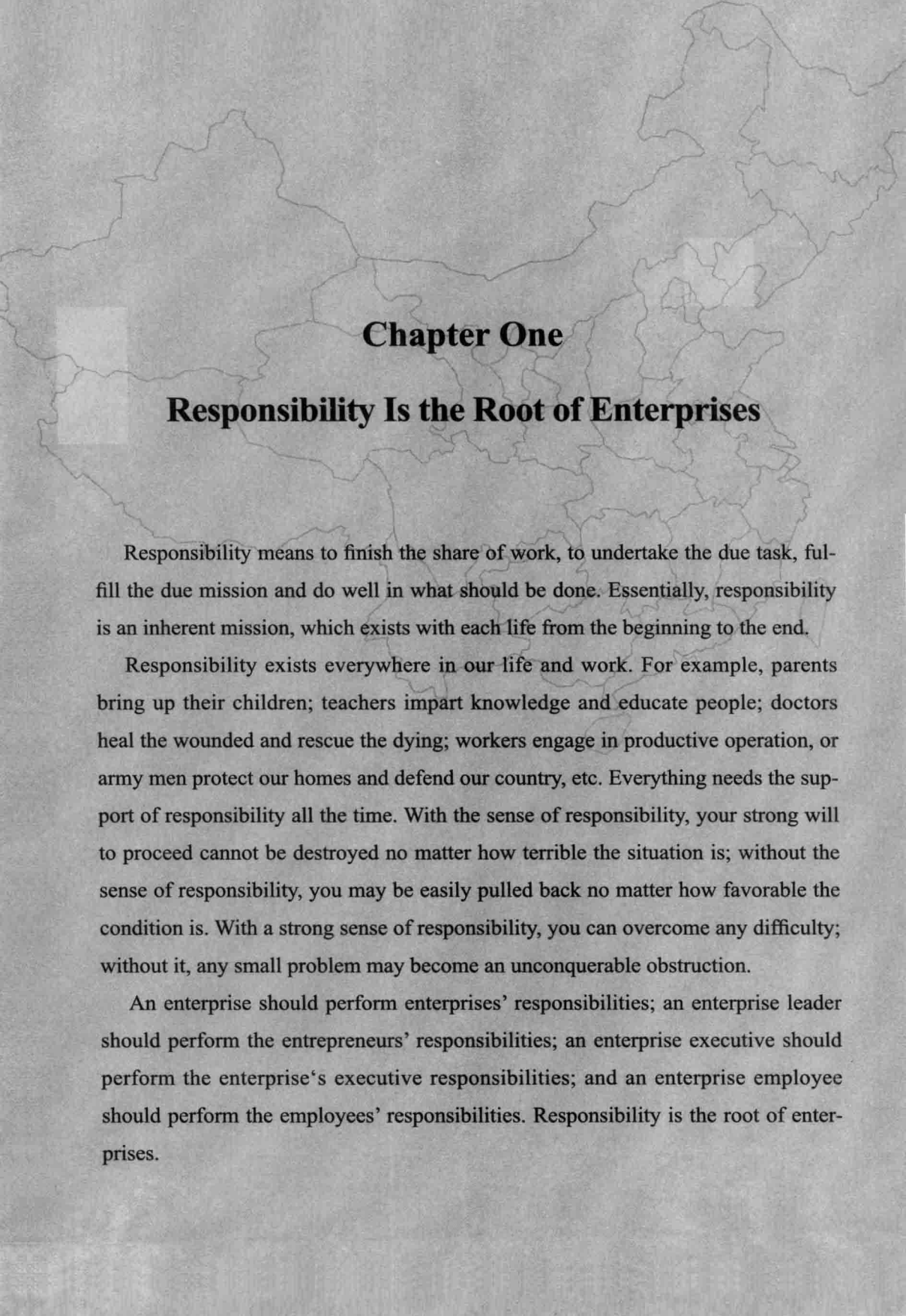
Corporate culture unifies all the staff with the common value and the harmonious cultural atmosphere, and it brings out and activates the active attitude and creativity of the staff, inspires the staff, cultivates the skill of the staff and condenses the corporate spirit and model the corporate image to the maximum.

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## **Chapter One**

# **Responsibility Is the Root of Enterprises**

Responsibility means to finish the share of work, to undertake the due task, fulfill the due mission and do well in what should be done. Essentially, responsibility is an inherent mission, which exists with each life from the beginning to the end.

Responsibility exists everywhere in our life and work. For example, parents bring up their children; teachers impart knowledge and educate people; doctors heal the wounded and rescue the dying; workers engage in productive operation, or army men protect our homes and defend our country, etc. Everything needs the support of responsibility all the time. With the sense of responsibility, your strong will to proceed cannot be destroyed no matter how terrible the situation is; without the sense of responsibility, you may be easily pulled back no matter how favorable the condition is. With a strong sense of responsibility, you can overcome any difficulty; without it, any small problem may become an unconquerable obstruction.

An enterprise should perform enterprises' responsibilities; an enterprise leader should perform the entrepreneurs' responsibilities; an enterprise executive should perform the enterprise's executive responsibilities; and an enterprise employee should perform the employees' responsibilities. Responsibility is the root of enterprises.





## **Running State-Owned Enterprises Means to Be Responsible for the Country**

Port of Qingdao is the “national team”, so it should act as the mainstay of the country, the “eldest son” of the Republic and the filial son of the motherland. We should keep on making contribution to the country, serve as loyal and qualified industry leaders, and lead the staff to work hard against difficulties, build our beautiful homeland and make a better life.

The SOE of China is in essence a main form of realizing socialist public ownership, a basic force for the country to guide, promote, regulate and control the economic and social development, and an important guarantee for realizing the interests and common prosperity of the people. Therefore, for China’s SOEs, their economic attribute requires them to constantly improve the economic returns and labor productivity, and to realize the maintenance and increase of the value of state-owned assets; their political and social attributes require them to undertake responsibilities of improving employment, safeguarding stability, developing advanced culture and others. The unique characteristics of China’s SOEs loads them with the responsibility for the country, for the society and for the employees. In other words, the SOEs of China, as state-owned economic organizations, shall bear economic, political and social responsibilities. Since we