

# Research on the Basic Structure, Elements and Problems of Modern Governance System of Power Grid Enterprises Under the Requirements of High-Quality Development of State-Owned Enterprises

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**Keywords:** Power Grid Enterprises, Governance System, Modern Governance.

**Abstract:** The transformation and upgrading of the traditional power grid to the energy Internet greatly increases the types and scale of market players that access the grid side and enter the power market, and put forward higher requirements for enhancing the power grid enterprises' ability to enhance public services and the driving force of the energy and power industry. On the basis of defining the basic elements and structure of the governance system of power grid enterprises, this study conducts an in-depth analysis of the current situation and problems of power grid enterprise governance, and proposes that power grid enterprises need to accelerate research on corporate governance system, explore measures and suggestions for comprehensive reform pilot projects in order to provide theoretical and directional guidance for power grid enterprises to realize "Modern Governance" for world-class enterprises.

## 1 INTRODUCTION

The report of the 20th CPC National Congress pointed out that we should deepen the reform of state-owned assets and enterprises, upgrade the modern enterprise system with Chinese characteristics, and accelerate the construction of world-class enterprises, which increases the requirements of high-quality development of state-owned enterprises. General Secretary Xi Jinping attached great importance to speeding up the construction of a number of world-class enterprises with "outstanding products, outstanding brands, leading innovation and modern governance". The narrow sense of corporate governance refers to a mechanism of supervision and balance between owners and operators, that is, through a systematic arrangement, to reasonably distribute the rights and responsibilities between owners and operators. The broad sense of corporate governance is not limited to the checks and balances between shareholders and operators, but involves a wide range of stakeholders (Morck, 2009).

The transformation and upgrading of the traditional power grid to the energy Internet greatly increases the types and scale of market players that access the grid side and enter the power market, and put forward higher requirements for enhancing the power grid enterprises' ability to enhance public services and the driving force of the energy and power industry. The power grid company has been emphasizing improving the corporate governance capability and organically linking the corporate governance system with the national governance system, such as updating the organizational structure (Meng, 2021), adjusting the responsibility and authority system (Scott, 1995), and optimizing the strategic system (Wood, 1998). Nevertheless, the new situation and new requirements of the construction of world-class enterprises and energy Internet enterprises, power grid enterprises which tap the governance potential, urgently makes theoretical analysis on the basic elements and structure of the governance system of power grid enterprises, and evaluates the current situation and problems of power grid enterprise governance accordingly. The

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innovation of this paper is to provide theoretical support for power grid enterprises to improve governance capability and governance level (Ansoff, 1965).

## 2 THE BASIC STRUCTURE OF MODERN GOVERNANCE SYSTEM

The governance system and governance capability of state-owned enterprises are important components of the national governance system and governance capability. They are theoretical systems with comprehensive characteristics and epochal significance, which can be analyzed from three levels: corporate governance system, group management and control system, and operation management system.

### 2.1 Basic Concepts

The corporate governance system is a corporate governance structure established by enterprises in accordance with relevant laws and regulations on the basis of the separation of ownership and management rights, as well as an incentive and restraint, coordination and balance mechanism.

The group management and control system is an efficient integration system for large enterprise groups to coordinate and control the relationship between their member enterprises and integrate resources and businesses based on the property link;

The operation management system is the business operation system and functional support system built by enterprises in the process of business operation and management.

### 2.2 Relationship of the Three Subsystems

Corporate governance system, group management and control system, and operation management system are the basic elements or perspectives of modern enterprise management system, which are interdependent, organic linkage, and coordinated operation. For enterprise group, the corporate governance system (from the perspective of stakeholders) is the basis for an enterprise to become an independent legal person under the property rights system, which can be regarded as the basic "form" of the enterprise group. The group control system (from the perspective of the group headquarters) is the

organizational structure and operating mechanism of the enterprise group's control subsidiaries, which can be seen as the "skeleton" of the enterprise group. The operation management system (from the perspective of business management) is the professional and refined support and assistance for enterprises to carry out value chain activity, and can be seen as the "tendon" of the enterprise group.

## 3 THE BASIC ELEMENTS OF MODERN GOVERNANCE SYSTEM

### 3.1 The Corporate Governance System

Firstly, the corporate governance system belongs to the basic system of enterprises. Constrained by national laws, regulations and policies, the governance structure of subsidiaries intersects with the group management and control system, which determines whether the parent company can exert direct influence on the operation and management system of subsidiaries. The corporate governance of the enterprise group connects and standardizes the relationship of rights, responsibilities and interests among the group owners, the Party committee (leading group), the board of directors, operators, employees and other stakeholders. In addition to solving the relationship among the board of shareholders, the board of directors and the management of the enterprise group, it also involves the relationship between the enterprise group and all subsidiaries at the governance level, that is, the control and subordinate legal relationship between the parent and subsidiary companies.

Secondly, China has established a basic legal system of corporate governance based on the Company Law, and has put forward clear legal requirements for the governance of the shareholders' meeting, the board of directors, the board of supervisors, and the managers. At the same time, with the deepening of the reform of state-owned enterprises, the dominant position of the Party organization in governance has gradually matured in policy and practice, and has been clarified at the level of administrative regulations. The Fifth Plenary Session of the 19th Central Committee of the Communist Party of China put forward that "we should adhere to the Party's overall leadership over state-owned enterprises, promote the unity of strengthening the Party's leadership and improving corporate governance, and accelerate the

establishment of a corporate governance mechanism with statutory powers and responsibilities, transparent powers and responsibilities, coordinated operation, and efficient checks and balances."

### 3.2 The Group Management and Control System

Firstly, the essence of group management and control is a set of management methods and institutional arrangements established by the enterprise group based on the property connection between parent and subsidiary companies. By implementing management control and resource coordination and allocation for subordinate enterprises or departments, resources can be effectively deployed in a wider range to achieve efficient utilization and strategic coordination. The group control mode determines the allocation of core resources such as people and property.

Secondly, the group management and control system is the key to efficient operation of enterprise group. Influenced by enterprise attributes and resource endowments, the management and control mode selection, organizational structure and responsibility design of the enterprise group need to comprehensively consider the positioning of the group headquarters and the governance and management capabilities of its subsidiaries. Generally, it can be divided into indirect control relationship and direct control relationship. The indirect control relationship refers to that the parent company mainly controls the operating activities of the subsidiary through the board of directors of the subsidiary, and the control of the parent company is only reflected at the level of the board of directors. Direct control refers to that the members of the board of directors of the subsidiary are all executive directors from the parent company, and the parent company's board of directors directly nominates the senior management of the subsidiary, which can directly affect the operation and management of the subsidiary.

### 3.3 The Operation Management System

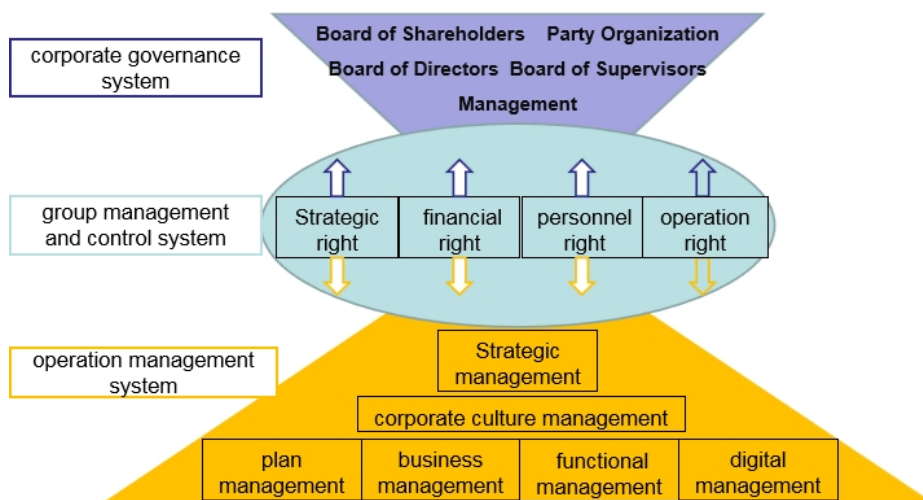
Firstly, in a narrow sense, enterprise operation management refers to the general term for the planning, organization, implementation and control of business activities such as product or business supply, research, production and marketing. It is a command and coordination management system that runs through all systems of enterprise business creation. In a broad sense, enterprise operation

management is a management activity that focuses on the whole process of enterprise business value creation, takes the enterprise business value chain as the center, strategic planning as the starting point, planning management as the leader, and performance incentive as the core, systematically drives the management of all links and functions of the enterprise value chain, and ensures the coordinated operation of all kinds of resources and functions, so as to maximize the operating efficiency of the enterprise and continuously improve the working efficiency. The overall enterprise operation management system can include strategic management, business management, functional management, digital management, corporate culture management, etc.

Secondly, the operation management system is relatively independent, but it is directly affected by the group's control system and business attributes. Under diverse corporate governance systems and group management and control systems, there are significant differences in the vertical design and functional soundness of the operation management system. Generally, for subsidiaries with mature products, complete systems, efficient management and single shareholder, more emphasis is placed on centralized, institutionalized and standardized group management and control mode. For subsidiaries with more product innovation, low management standardization and multiple shareholders, more authorization and on-site decision-making authority are required. The parent company participates in corporate governance as a shareholder.

On the basis of Mintzberg's prototype of enterprise organizational structure and Porter's concept of enterprise value chain activities, this research explores and constructs the basic model of modern governance system of power grid enterprises, as Table 1 presents:

Table 1: The basic model of modern governance system of power grid enterprises.

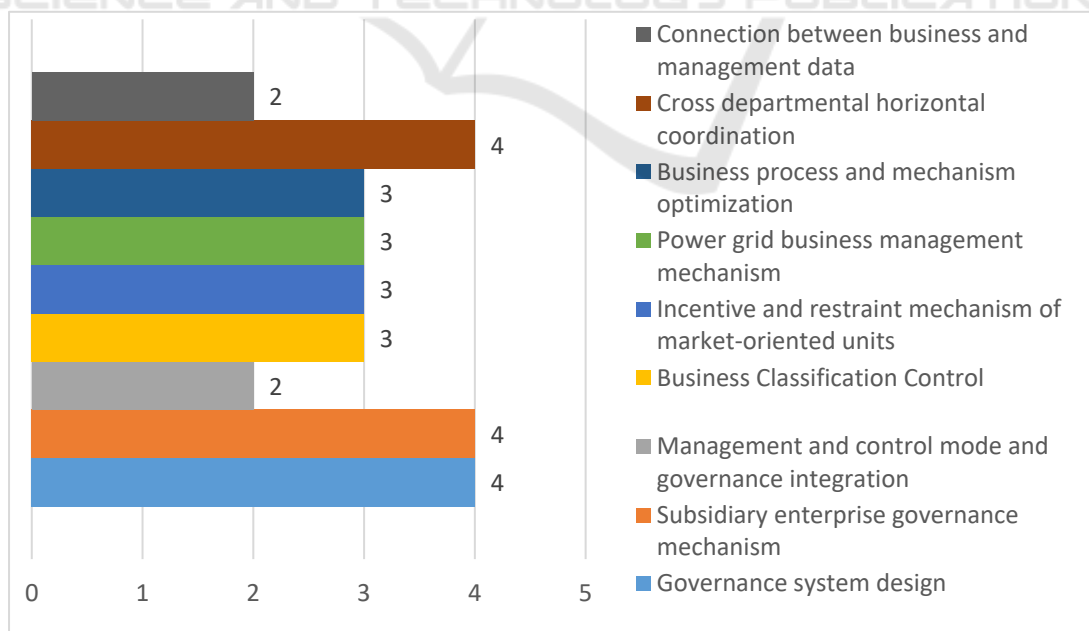


#### 4 THE PROBLEMS OF MODERN GOVERNANCE SYSTEM

On the basis of the basic model of modern governance system of power grid enterprises, this paper selects 28 problems from 9 aspects on the modern governance system. The 9 aspects include governance system design, subsidiary enterprise governance mechanism,

management and control mode and governance integration, business classification control, incentive and restraint mechanism of market-oriented units, power grid business management mechanism, business process and mechanism optimization, cross departmental horizontal coordination, connection between business and management data, as Table 2 presents:

Table 2: The problems of modern governance system of power grid enterprises.



## 5 CONCLUSION AND ENLIGHTENMENT

In the new situation of profound changes in the energy and power industry and the new requirements of state-owned enterprise reform and electric power reform, power grid enterprises need to accelerate reform and innovation and management reform, take deepening reform as a means to constantly remove institutional and institutional barriers, continue to optimize and update the corporate governance system, and enhance corporate governance capabilities.

Firstly, according to the general standpoint of "classified governance and differential management and control", with the goal of establishing a scientific and efficient group governance structure and management and control system, and realizing the modernization of corporate governance, we organized and carried out special research on corporate governance system and governance capacity building, strengthened overall planning and top-level design, and systematically put forward the optimization and improvement plan of corporate governance system to adapt to the new situation and new requirements.

Secondly, select some provincial companies and market-based units to carry out comprehensive reform pilot projects such as improving the governance system, optimizing the management and control mode, and reforming the system and mechanism first. Give incentive policies to pilot enterprises, encourage exploration and innovation, and summarize a package of solutions based on pilot experience.

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