

Improvement in Organizational Effectiveness Under the Background of Reform of State-Owned Enterprises: A Pilot Work of Assessment of Institutional Effectiveness of the State Grid Corporation of China

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Abstract. As a research hotspot in recent years, the improvement in institutional efficiency provides a new reference for the reform of state-owned enterprises and the development of new enterprises in China. The purpose of this study was to explore the value and significance of institutional efficiency in the practice of state-owned enterprises. On the basis of relevant research at home and abroad, this study took the State Grid Corporation of China “institutional efficiency evaluation pilot work” as the key case. By constructing the institutional efficiency model, it was found that a more reasonable application of the model could bring more benefits to enterprises. At the same time, under the same enterprise, different business models used different performance models. The findings of this study might bring value to the development of modern enterprise organizations and hence benefit subsequent research.

Keywords. Institutional effectiveness, management, reform of state-owned enterprises

1. Definition of Institutional Effectiveness

Institutional effectiveness, also known as organizational effectiveness, is an abstract concept in management. As a reflection of the overall efficiency and effectiveness of an

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organization, institutional effectiveness is often used as a standard to measure the success of the organization.

Studying institutional efficiency is highly important. Only by better using scientific methods can we improve corporate institutional efficiency, which is specifically the average performance value or revenue value created by every employee, including the management team, every day. For state-owned enterprises in transition, higher organizational efficiency can bring a higher value. At the same time, finding an appropriate performance model is of great significance because many business lines exist and the management structure is relatively complex.

The connotation of organizational effectiveness has been thoroughly explored from various perspectives, resulting in a consensus on organizational effectiveness. Peter Drucker has claimed that institutional effectiveness refers to the capability of achieving goals by exploiting available resources. Institutional effectiveness is a combination of the capability of an organization to achieve goals and the results achieved on the basis of the capability [1]. Generally speaking, high-performing enterprises are those with excellent leaders and employees, advanced technology, and corporate culture in line with the company's development prospects [2]. Four leading factors, including hero leader, Chinese concept, Western standard, and channel drive and community of interests, and four output results, including enterprise culture, core competitiveness, rapid response, and vision mission, should be considered for high-performance enterprises in China.[3] Efficiency is a "continuity" problem, and the assessment of the efficiency and performance of high-performance enterprises should reflect the overall picture of enterprise management. Therefore, institutional effectiveness can be analyzed from four dimensions, including statics, dynamics, psychology, and ecology. From the perspective of organizational statics, institutional effectiveness is the extent to which an organization achieves its predetermined goals. From the standpoint of organizational dynamics, institutional effectiveness is the capability of the organization to acquire valuable resources to meet its needs. From the perspective of organizational psychology, institutional effectiveness is the extent to which an organization meets the needs of its members, and it is measured by the satisfaction of its members. From the perspective of organizational ecology, institutional effectiveness is the capability of the organization to adapt to the environment.

It is necessary to build an institutional environment conducive to the high-quality development of enterprises on the premise of improving the development and management levels of state-owned enterprises to promote the high-quality development of state-owned enterprises in the new era. [4] The State Grid Corporation of China has promoted the construction of the "One Body and Four Wings" development layout and made new arrangements for the development positioning, development goals, and key tasks of each business sector to accelerate the implementation of the strategic goal of building an internationally leading energy Internet enterprise with Chinese characteristics. The establishment of the assessment mechanism of institutional effectiveness not only is conducive to the formation of an organizational structure that supports "One Body and Four Wings" but also can further optimize the division of labor and synergy among the business sectors, achieving mutual complementarity, support, and empowerment and promoting the construction of the energy Internet company, thus maximizing the overall value of the company.

2 Establishment of an Assessment Model for Institutional Effectiveness

The pursuit of high-level economic development is one of the key characteristics of the economic development of China. For the State Grid Corporation of China, a novel power system is aimed to be realized with energy and power security as the fundamental premise, the power demands of economic and social development as the primary objective, and maximization of the consumption of new energy as the main task, a strong and smart grid as the platform, and the load-storage interaction of source and network and multi-energy complementarity as the support. These aspects require a rational reform of institutional efficiency as the basis.

2.1 Motivation for Institutional Effectiveness Assessment

First, the assessment can help respond to new challenges in the environment and organizational management. To achieve positive development and maintain sustainable success, external adaptability to the environment and business sensitivity should be maintained, and regular analysis and evaluation of organizational operations should be conducted internally so as to gain a sustainable competitive advantage through resource integration. Second, the assessment can help maintain the competitive advantage and healthy development of an organization. Organizational capability is a reflection of the efficiency and effectiveness of a company, and well-cultivated organizational capability is an important source of competitive advantage. Third, the assessment can help support the human resource strategy of the State Grid Corporation of China. Establishing and improving the indicator system and working mechanism of institutional effectiveness assessment and carrying out a comprehensive assessment of different levels and types of institutions form an essential layout of the 14th Five-Year Plan of the State Grid Corporation of China. The advantageous resources can be effectively integrated, and the development layout of “One Body and Four Wings” can be empowered with improved effectiveness through the study and practice of institutional effectiveness assessment.

2.2 Two Aspects of Institutional Effectiveness

Institutional effectiveness can be divided into the design aspect and the operation aspect. In the design aspect, the objectives need to be clarified, while in the operation aspect, the corresponding objects need to be selected. The clarification of objectives is to measure the performance of an institution in terms of the degree of achievement of strategic goals, the organizational management adaptability, the overall operation and management level, and the quality and effectiveness of human resource management, as well as to find the reasons for the shortcomings through the results so as to make continuous improvements. In the case of the selection of corresponding objects, the institutional effectiveness assessment is divided into the assessment of unit effectiveness and the assessment of internal institutional effectiveness. Based on the development layout of “One Body and Four Wings,” the functional positioning, business characteristics, market environment, customer type, and other factors of each type of institution are analyzed and the common organizational characteristics are summarized to clarify the target of institutional effectiveness assessment and construct a typical assessment model and assessment dimensions.

2.3 Establishment of Institutional Effectiveness Model

2.3.1 Institutional Effectiveness Assessment Dashboard Model

This model applies to the power supply companies owned by the State Grid Corporation of China. The institutional effectiveness assessment dashboard divides the factors affecting institutional effectiveness into four dimensions: internal (internal control and communication and collaboration), external (target strategy and customer orientation), rigid (organizational structure and talent team), and flexible (culture building and reform and innovation) (see Figure 1). For each dimension, several aspects and specific assessment indicators are listed in detail. In the end, the red arrow points to the weakest link of institutional effectiveness.

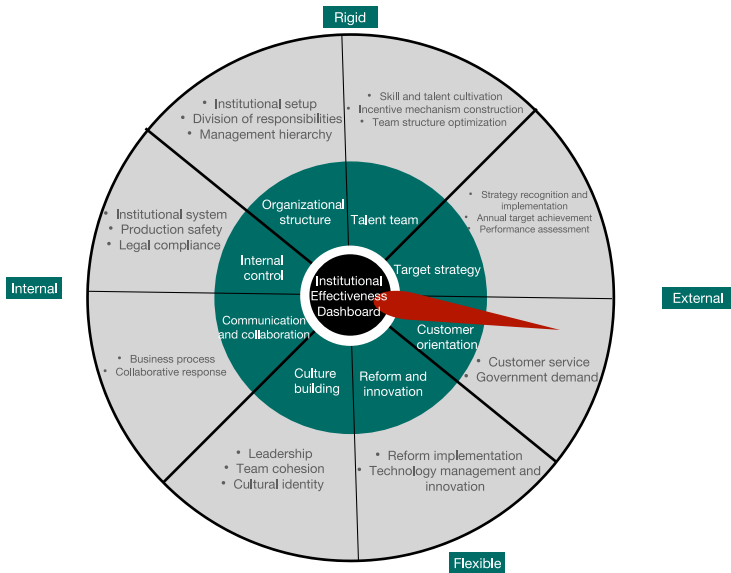


Figure 1. Institutional Effectiveness Assessment Dashboard Model

2.3.2 Six-Factor Model

This model is applicable to the marketized industrial and financial units owned by the State Grid Corporation of China. It has high requirements for implementing the company’s “One Body and Four Wings” strategic layout with a focus on core business capability and sustainable innovation capability. This model can fully reflect external competition and greatly reflect the operation law of the market economy. The six factors involved in this model are strategic execution, market competitiveness, organizational flexibility, talent cohesion, customer influence, and cultural cohesion (see Figure 2). Among these, cultural cohesion is the basis; organizational flexibility, talent cohesion, and customer influence play a supportive role; and market competitiveness is the most prominent factor in the overall strategic execution of the organization.

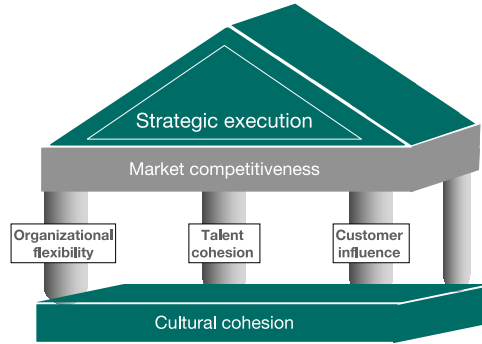


Figure 2. Institutional Effectiveness Six-Factor Model

2.3.3 Six-Box Model

This model applies to the strategic emerging business units owned by the State Grid Corporation of China. It is mainly used in the key businesses of energy Internet strategy and technology development, which may become a vital performance growth pole of the company. In this model, the management plays a critical role in enterprise development, and the strategic vision, top-level planning, innovation awareness, market sensitivity, and personality charm of management have direct impacts on enterprise development (see Figure 3). Therefore, centered on target positioning, this model focuses on the importance and impacts of leadership, business growth, synergy, team building, and support in promoting the development of strategic emerging industries and improving institutional effectiveness.



Figure 3. Institutional Effectiveness Six-Box Model

3. Values of Institutional Effectiveness Assessment

Technological and institutional innovation contributes to highly efficient economic growth toward maximizing the performance of various factor inputs, that is, maximizing profits with little inputs. Hence, the high-efficiency development of enterprises is the cornerstone of high-efficiency economic growth. However, the high-quality development of enterprises is essential to demonstrate good processes and results continuously. To achieve high-quality development, enterprises must build themselves into high-performance enterprises with high effectiveness for continuous growth and value creation; otherwise, they may only be short-lived. [5] In this case, the State Grid Corporation of China needs to use a rational indicator system and method to reasonably assess its own development and find the direction toward a high-performance enterprise so as to continuously inject vitality and vigor into the development of the market economy of China, thus promoting the high-quality development of the economy. Additionally, a tool has been developed to assess effectiveness, which is an entirely new trial for the State Grid Corporation of China. As the pilot progresses, the diagnostic results of the evaluation indicators can reflect the strengths that the enterprise has achieved and the weaknesses that the enterprise should pay more attention to and improve in the subsequent operations and management. This can help the enterprise to execute targeted management and continuously improve the operation and management level, thus achieving the development layout of “One Body and Four Wings.”

4. Discussion and Conclusion

The ultimate goal of enterprise efficiency management is to implement management activities centering on how to improve organizational performance. An enterprise is a “function system” composed of multiple functions. Its operating mechanism can be regarded as a “mechanism system” composed of several internal sub-mechanisms, including dynamic mechanism and decision-making mechanism. Efficiency improvement is more important in state-owned enterprises due to the wide scope of business, multiple business models, relatively complex management structure, and other reasons.

This study took the organization effectiveness evaluation of the State Grid Corporation of China as the breakthrough point, according to the national grid and different types of enterprises, using the Institutional Effectiveness Assessment Dashboard Model, Six-Factor Model, and Six-Box Model. It provided a different solution, which was verified with multiple formats of large enterprises. It suggested that the development status of the enterprise should be assessed regularly using a scientific and effective system of enterprise performance evaluation, and high-quality development should be achieved based on the assessment results.

However, this study discussed only the enterprise efficiency management of the State Grid Corporation of China. The effect of the three enterprise efficiency management models used in this model in large enterprises was unclear. More cases and data of enterprise efficiency management should be collected in the future to discuss whether the management model and conclusion of this study are universally applicable.

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