



**ANALYSIS OF FACTORS INFLUENCING CHINA UNICOM'S  
CORPORATE GOVERNANCE ISSUES**

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**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT OF  
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This Independent Study has been approved as a Partial Fulfillment of the  
Requirement of International Master of Business Administration in  
International Business Management

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# ABSTRACT

**Title:** Analysis of Factors Influencing China Unicom's Corporate Governance Issues

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Chinese state-owned enterprises have embarked on a new round of structural reform. The government actively encourages state-owned enterprises to explore new forms of mixed capital and improve the dual problems of poor corporate governance and low operational efficiency of Chinese state-owned enterprises through mixed ownership reform. The research object of this study, China Unicom has become a key enterprise in China's industrialization after years of development. Combined with the research questions, the research objectives are listed:1) To determine that mixed ownership reform has a positive impact on corporate governance.2) To evaluation of business indicators of China Unicom before and after the current mixed-ownership reform has affected the company's governance situation.

This study mainly adopts quantitative research methods, specifically through reliability and validity analysis, descriptive statistical analysis of statistical variables, AVE analysis, and regression analysis to verify the validity of the data. Based on the principal-agent theory, property rights theory, shareholder Activism theory and stakeholder theory, this paper analyzes the impact of two variables from the perspective of China Unicom's existing corporate governance system (independent variable): 1) mixed ownership reform; 2) The business indicators before and after the mixed ownership reform are obtained through the vertical comparative analysis of the core index data of China Unicom from 2013 to 2021. The results showed that AVE analysis and regression analysis revealed that the mixed ownership reform of China Unicom's

business indicators had a significant impact on the company's business and operational vitality before and after the reform. It also indicates the direct relationship between variables and their mutual influence. Further verification and conclusion are made that the two hypotheses designed are valid and can balance development opportunities and business risks, which has certain theoretical and practical significance.

**Keywords:** mixed ownership reform, corporate governance, property rights, principal-agent theory

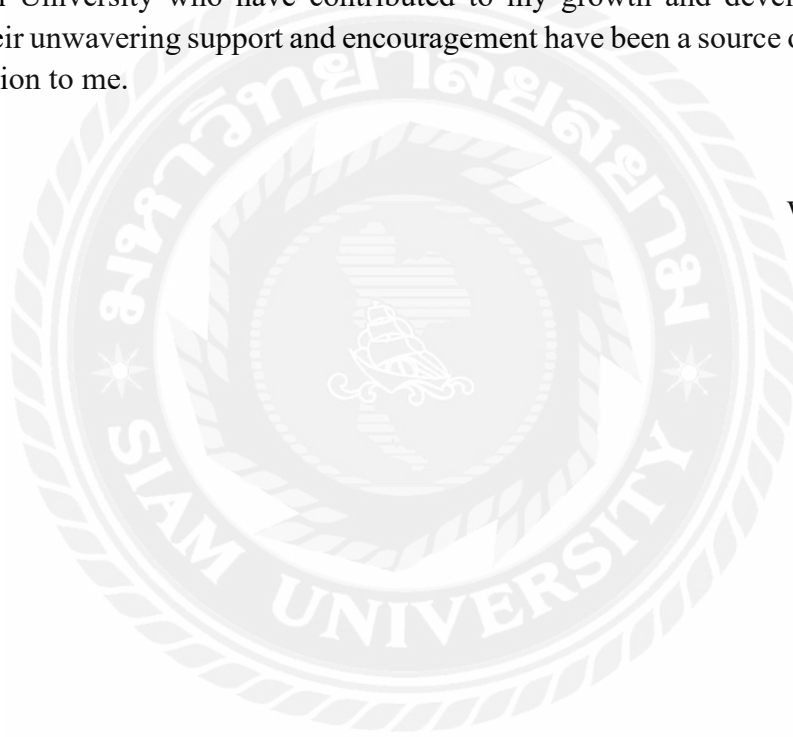


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WANG LIQI

## Declaration

*I, Wang Liqi, hereby certify that the work embodied in this independent study entitled “Analysis of China Unicom corporate governance problems and solutions” is result of original research and has not been submitted for a higher degree to any other university or institution.*

*Wang Liqi*



(WANG LIQI)

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# Chapter 1 Introduction

## 1.1 Background of the Study

As an essential pillar of China's economic market, state-owned enterprises not only undertake the primary mission of enterprise management but also perform a variety of important social responsibilities. Since the Third Plenary Session of the 11th CPC Central Committee, China has carried out a series of comprehensive reforms oriented towards economic construction and national strength. At present, China has vigorously carried out the policy of reform and opening for more than 40 years. During this period, China's state-owned enterprises have constantly updated and explored in the mixed-ownership reform and gained rich reform achievements and experience. The enterprise scale is analyzed from a macro perspective. Due to the strong support and pertinence of policies at the early stage of the state, China's state-owned enterprises have almost monopolistic advantages in terms of capital and resources (Tian, 2022). Coupled with the influence of Chinese cultural traditions, they have assumed the title of national credit to some extent. As a result, many talents in China continue to pour into state-owned enterprises, which have a vast industrial scale. However, on the contrary, the disadvantages of state-owned enterprises are various working procedures, their own work burden, low efficiency, and weak innovation ability, has gradually become the unique label of enterprises in the new era of enterprise development. Advanced private enterprises, on the other hand, have a human sense of the ever-changing characteristics of the market and can often make corresponding countermeasures and adjust the development direction and strategy of enterprises in time for the market changes (Zhang et al., 2020). Compared with state-owned enterprises to some extent, private enterprises are characterized by flexible working mechanisms, keen insight into market demands, vigorous innovation and high operating efficiency. However, their shortcomings have been exposed (Li & Li, 2021). Compared with state-owned enterprises, private enterprises have disadvantages such as shortage of capital and resources, small production scale and backward management. To achieve the optimal solution, mixed ownership reform through complementary advantages and resource integration. On the one hand, the resources and funds of state-owned enterprises can be efficiently used and flexibly allocated, reducing the "burden" phenomenon. On the other hand, private enterprises can also get rich financial assistance, talents and technical support.

Under the above background, China's state-owned enterprises started a new round of structural reform. The government actively encourages state-owned enterprises to explore new forms of capital mixing, reinvigorate the productivity and creativity of state-owned assets, and improve the dual problems of poor corporate governance and poor operational efficiency of China's state-owned enterprises through mixed ownership reform (Tian, 2022). Existing research on the reform of state-owned enterprises is mainly based on the theory of property rights, decentralized control, insider control and other relevant theories. Based on the research theories of existing

scholars, this paper aims to make a specific analysis of the mode of mixed-ownership reform of China Unicom, a state-owned enterprise, the results achieved at the present stage and the main problems it faces. To further promote the ownership reform to provide specific reference opinions.

## **1.2 Problem of the Study**

Driven by the policy of mixed ownership reform, it has always been a difficult problem for China's state-owned enterprises to support the development of the non-public economy more effectively and promote the reform of the existing public economic model. China's basic strategic industries are monopolized and controlled by state-owned enterprises. The new round of state-owned enterprise reform also focuses on the reform of basic strategic industries related to people's livelihood (Zhuang & Mai, 2021). Compared with the traditional industrial industries, telecom enterprises belong to the high-tech industry, which has a high degree of technology control and sensitivity to market demand (Hu et al., 2006). The frequency of technological updates in the telecom industry is far higher than in other traditional industries (Guan, 2015). Therefore, this paper selects China Unicom company as a case study object and compares its business indicators before and after the mixed-ownership reform and its management structure mode changes. It summarizes the problems and challenges China Unicom company needs to face in the mixed ownership reform and puts forward the decision on how to deal with the problems, to enrich the practical experience of China's implementation of mixed ownership reform in state-owned enterprises, and better accelerate the construction of modern enterprise system and corporate governance mechanism of China's state-owned enterprises.

## **1.3 Research Questions**

- 1) What is mixed ownership reform having a positive impact on corporate governance?
- 2) What are the business indicators of China Unicom affecting the company's governance situation?

## **1.4 Objectives of the Study**

This paper aims to first introduce the basic situation and corporate structure of China Unicom company, then analyze the current problems in corporate governance of China Unicom company, and finally draw the practical experience and scheme reference of China Unicom company in mixed-ownership reform according to the comparison of business indicators before and after the mixed-ownership reform of China Unicom company.

Therefore, the research objective of this paper is as follows:

1. To determine that mixed ownership reform has a positive impact on corporate governance.
2. To evaluation of business indicators of China Unicom before and after the current mixed-ownership reform has affected the company's governance situation.

## **1.5 Significant of the Study**

By sorting out the changes in the composition of the controlling shareholders in the mixed-ownership reform of China Unicom company, this paper analyzes the impacts of China Unicom company's board member changes, staff incentive policy changes, improvement of the enterprise's anti-risk ability and other specific practical measures on the overall business results of the company, and draws conclusions and suggestions. It has the following significance.

### **1.5.1 Theoretical significance**

With the continuous optimization of mixed ownership reform of state-owned enterprises in China, since the Third Plenary Session of the 11th Central Committee was successfully held in 1978, China implemented the policy of "internal reform and opening up to the outside world", and gradually formed a reformed mode aiming at establishing a modern enterprise system (Zhang et al., 2020). Scholars have abundant research and literature on the corporate governance of China's state-owned enterprises under the mixed ownership reform. However, under the influence of the favorable policies issued by the government, such as the rising stock market or the steady rise of international market demand, whether China's state-owned enterprises need to learn from the management mode of private enterprises and quickly change their governance mechanism, there are relatively few pieces of literature on issues such as firmly grasping development opportunities and how to balance development opportunities and operating risks. This paper can further enrich the theoretical research on Chinese state-owned enterprises' choice to participate in mixed-ownership reform and optimize corporate governance in the face of industrial development opportunities.

### **1.5.2 Practical significance**

The specific effect of China Unicom's mixed-ownership reform on enterprise operations by optimizing corporate governance is clarified. In the context of the rapid development of the telecommunications industry, China Unicom Company, the subject of the case analysis in this paper, seems to have been unable to adapt to the rapid development of the industry trend in China's state-owned enterprises with layers of examination and approval in the work process and conservative and prudent corporate governance policies and policies. The use of equity changes and other private enterprise management means not only introduces the private enterprise management philosophy, but also conforms to the development trend of the enterprise and the industry. This paper analyzes the effect of mixed-ownership reform on the change of corporate governance mechanism of China Unicom company. It obtains the results of China Unicom company's participation in mixed-ownership reform through quantitative analysis, which can provide a reference for companies in other traditional industries that will participate in mixed-ownership reform.

## **Chapter 2 Literature review**

### **2.1 Theory of Reviews**

#### **2.1.1 Principal-agent theory**

According to the principal-agent theory, an enterprise should separate ownership from management right. While retaining the right of supervision, the enterprise owner should grant the right of management to professional managers (Wang, 2019). Basic specialties should be divided and professional people should do professional things to improve the operation efficiency of the enterprise. Owners want to maximize the company's profits, while agents want to maximize their profits, which gives rise to new principal-agent problems (Wang, 2019). Due to the inconsistent interests of the principal and the agent, information asymmetry and other problems, the agent may appear opportunistic behavior, using the information advantage to bypass the supervision for their interests, which is the first layer of contradiction in the principal-agent problem. The supervision, constraint, and residual loss costs generated by principal-agent are principal-agent costs (Laffont & Martimort, 2002).

Corporate governance is used to solve the principal-agent problem, safeguard the owner's equity and provide legal protection for the principal (Shleifer & Vishny, 1997). In order to avoid principal-agent problems, the government should improve relevant laws to protect the rights and interests of minority shareholders and investors (Miller, 2005). Therefore, the participation of state-owned enterprises in the mixed ownership reform and the optimization of ownership structure is conducive to fully stimulating the development power and vitality of state-owned enterprises. Using corporate governance to avoid principal-agent costs by signing contracts and improving agent mechanism becomes the key to solving the problem (Huang, 2020).

#### **2.1.2 Property rights theory**

Property rights doctrine believes that in the case of property rights privatization, property rights owners, driven by interests, have strong incentives to participate in the management of means of production and continuously improve the production efficiency of enterprises in order to obtain more surplus profits. If there is no property right in the social, and economic system, it will lead to low efficiency of social operation and low efficiency of market resource allocation. According to the theory of property rights, property rights have four characteristics: specificity, exclusivity, transferability and operability (Demsetz, 1974). According to the observation of Chinese state-owned enterprises, although the property rights of state-owned enterprises are clear, they property rights of state-owned enterprises are owned by the state, and the ownership and benefits are shared by the people of the state, which cannot avoid the lack of exclusivity, transferability and operability. Property rights are owned by the state, which means that the managers cannot monopolize the operating results and reputation profits of the enterprises. Therefore, the enterprise will not be run under the motivation

of profit (Chen, 2018). This also leads to the wrong business philosophy of the managers of state-owned enterprises. On the contrary, the ultimate goal is to steadily and accurately complete the business indicators assigned by the government at all levels, assume social responsibilities and avoid business risks. China once carried out the privatization of state-owned capital on the grounds of "clear property rights", which also resulted in the loss of a large number of state-owned assets (He, 2014). Therefore, maintaining the value of state-owned assets has become the priority of the management rights holders of state-owned enterprises. The non-exclusivity of state-owned enterprises' capital means losing the profit incentive. The motivation to make benefit-maximizing decisions under the control of the invisible hand of the market (Yang & Huang, 2017). However, owners of privatized property rights can exclusively enjoy the residual profits brought by the operation of private property, and they can legally obtain and distribute the profit results obtained, which gives the asset owners direct motivation to care about the operating income of the asset (Li et al., 2021). Therefore, by introducing private capital, strategic investors and employees' option equity in the mixed ownership reform, state-owned enterprises have improved the situation of "equal share of performance" in traditional state-owned enterprises, which also represents that state-owned assets have been integrated into the proprietary and transferable private assets.

### **2.1.3 Theory of shareholder activism**

Shareholder initiative is of great significance to company's operation and development. Shareholders with low enthusiasm are usually unwilling to participate in corporate supervision activities and lack initiative in corporate capital supervision, which cannot positively promote the company's development. Highly motivated shareholders will take the initiative to use the right of supervision to supervise the development and decision-making of the company, and are willing to take the initiative to participate in the handling of specific internal affairs of the company so that the enterprise can obtain greater economic benefits (Zhang et al., 2020). It can be seen from the existing situation of various ownership systems in China that most private enterprises and private institutional investors are highly motivated shareholders because the shareholders and institutional investors of private enterprises can independently enjoy the operating profits of enterprises, their management rights are consistent with the right to obtain returns, and they have greater enthusiasm to participate in enterprise management. Moreover, they are willing to exercise supervision and decision-making power over all affairs and decision-making activities in the enterprise's business process. (Feng & Li, 2012).

On the other hand, the shareholders of state-owned capital generally belong to those with low enthusiasm. The reason is that the management right in the hands of the managers of state-owned enterprises is not unified with the right to enjoy profits. Compared with state-owned operators, operators of private enterprises are more active in managing their companies. Therefore, introducing private shareholders is an effective way to improve the passivism of state-owned shareholders.

#### **2.1.4 Stakeholder theory**

The stakeholders of an enterprise cover a wide range, including shareholders, managers and employees internally, and government agencies, competitors, banks and others who are affected by the decisions and actions of the enterprise externally (Ren, 2019). Stakeholder theory explains that enterprises should not only consider the legitimate rights and interests of major shareholders and minority shareholders but also comprehensively consider the interests of the stakeholders involved when making decisions and actions (Wang & Xu, 2016). From the point of view of enterprise owners, the primary consideration of enterprise decision-making is the owner's rights and interests. Therefore, enterprises should also undertake corresponding social responsibilities. The implementation of these systems can not only play an incentive role in the short term, but also enhance the core competitiveness of enterprises in the long run.

### **2.2 Research Relevant**

The main purpose for enterprises to participate in the mixed ownership reform is to increase the operation vitality of state-owned enterprises and stimulate the growth of the national economy (He, 2014). However, the most important thing for enterprises is to increase the efficiency of enterprises, to better preserve and increase the value of capital. The mixed ownership reform of state-owned enterprises can be divided into complete and partial reform. Fully reformed enterprises achieve economic benefit growth mainly by reducing financing constraints, while partially reformed enterprises improve economic benefit mainly by alleviating internal control problems (Yan & Chen, 2019). In socialist countries, social productivity will be greatly improved by the mixed ownership reform of state-owned enterprises (Megginson, 2001). In state-owned enterprises, the performance evaluation system is standardized and standardized, and the division of responsibilities is clear, which is conducive to improving enterprise performance (Wang, 2019).

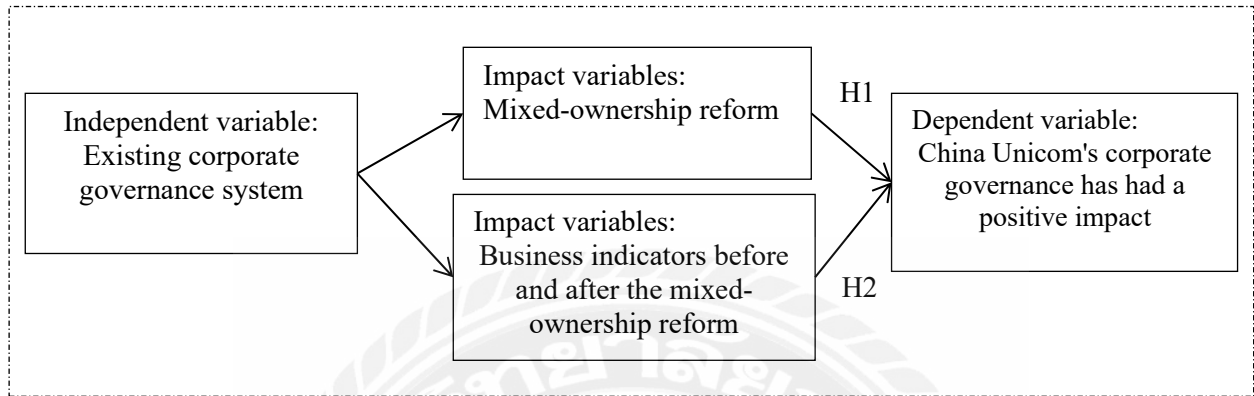
Through case analysis, it is concluded that the transfer of state-owned equity control rights of China's state-owned enterprises can promote the profitability of state-owned enterprises. The performance improvement effect of the company is the most obvious (Ren, 2019). However, through the event study analysis, it is found that the performance of enterprises after the mixed ownership reform has been improved to different degrees in the short term (Feng, 2002). According to the literature related to enterprise performance read, most theoretical studies and case studies have proved that mixed ownership reform can enhance enterprise performance and improve enterprise operating status.

### **2.3 Conceptual Framework**

This study mainly analyzes how China Unicom Company, one of the three giants in China's telecom industry, carries out mixed ownership reform and its performance indicators after the reform. Due to China's unique cultural environment and political factors, China formed a unique state-owned enterprise management model and system



in the early stage. Based on a large number of literature reviews and theoretical reviews on how to reform mixed-ownership enterprises, this paper finds out the existing problems of corporate governance in China's mixed-ownership enterprises and proposes corresponding solutions to these problems combined with the actual situation of China Unicom companies, to better improve the corporate governance of China Unicom companies. The theoretical model of this study as shown in Figure 2-1:



**Figure 2-1 Technical circuit diagram**

This academic study takes principal agency theory, property rights theory, shareholder action theory and stakeholder theory as the main theories, from the perspective of the existing corporate governance system of China Unicom (independent variables); the impact of two variables: 1) mixed ownership reform; 2) business indicators before and after the mixed ownership reform.) To verify whether China Unicom affects the corporate governance situation (dependent variable).

## **Chapter 3 Research Methodology**

### **3.1 Introduction**

This study is mainly based on mixed research method, included in qualitative analysis and quantitative analysis, and used Chinese databases such as Google Scholar and Baidu Academic to collect information on the theoretical foundations and literature used in this study. It reflects that after the enterprise participates in the mixed ownership reform, China Unicom company in the short-term and long-term mixed ownership reform of the economic results, and according to the analysis of financial and market data, so as to obtain the effectiveness of corporate governance after the mixed ownership reform, after the summary of the China Unicom company under the mixed ownership reform model of enlightenment and suggestions.

#### **3.1.1 Literature study method**

Through a lot of reading and research literature, this paper understands the mixed ownership reform mode, the relevant impact of the reform on corporate governance and the impact of the change of corporate governance on corporate performance. By reading and summarizing the literature, and combining the background, motivation and achievements of the mixed ownership reform of China Unicom Company, this paper provides a theoretical framework for the research and analysis of this paper.

#### **3.1.2 Case study method**

By studying the mixed ownership reform cases of China Unicom Company in 2016, this paper analyzes the changes in corporate governance before and after China Unicom company's mixed ownership reform through case analysis, and combines the company's financial and business data for analysis. Then, combined with relevant corporate governance theories, it analyzes the possible influence brought by these fundamental corporate governance concept changes to the company, and combined with the material data feedback of the capital market and financial indicators, analyzes the different impacts brought by the mixed ownership reform to the short-term and long-term development of the company.

#### **3.1.3 Questionnaire method**

The questionnaire is mainly designed through the questionnaire star platform and distributed through the Internet (Zhang et al., 2020). The scope of distribution includes: circle of friends WeChat friends rolling forward to analyze the changing trend of the enterprise's financial performance, and analyzes the product market by combining the product quantity, output value and market demand of China Unicom company's annual reports. The parameters of each variable were calculated and calculated using SPSS statistical software. Data statistics, collation and analysis were performed using SPSS 25.0 software, and conduct frequency number analysis and correlation analysis.

According to Rosário and Raimundo (2021), several projects were used in the study to cover all aspects of the structure.

### 3.2 Hypothesis

Therefore, it can be said that communication has a certain positive impact on management, the following are assumed.

H1: Mixed-ownership reform has a positive impact on the corporate governance of China Unicom.

H2: The business indicators of China Unicom before and after the current mixed ownership reform of China Unicom have a significant impact on the company's governance situation.

### 3.3 Population and Sampling

Based on the theoretical framework of case analysis, China Unicom is selected as the object of case analysis in this paper. This survey uses all sampling and non-probability sampling, selects and determines survey respondents according to the research objective and their own subjective analysis; the survey respondents are some employees in China Unicom. Among them, 134 participants in the department, 94 and 40 boys, 266 girls and 223 and 43 boys respectively. The specific sample numbers are shown in the table below.

Population and sampling of the samples:

**Table 3-1 Analysis of the sample by population**

Organization	Male	Female	Total number of samples
Financial department	94	40	134
Management department	223	43	266

According to Table 3-1, this paper takes the Organization of the board of supervisors and some employees of China Unicom company to clarify the specific situation of the sample, and the number of people can be obtained through the official website of China Unicom.

### 3.4 Sample Size

In the study of this article, data were collected by questionnaire survey, which was distributed by an online link (Mahmoudimehr & Sebghati, 2019). For further validation, the sampling method of this survey adopts the stratified sampling method of sampling method and group sampling method to determine the number of some employees of China Unicom Company, and then subdivide the total number of men and women by group sampling to distribute the questionnaire. For most of the mature scales proposed by foreign scholars, in order to ensure the accuracy, the author repeatedly translated the items in the questionnaire at the beginning of the questionnaire design, checked the

errors used in the study, set the questions of the questionnaire and tested and corrected the validity of the questionnaire. Therefore, 400 questionnaires were issued and 395 were recovered. Both are first-hand data and can be analyzed quantitatively.

### **3.5 Data Collection**

The survey began in May 2023, and mainly collected data by combining online questionnaires. The survey subjects are middle and above managers of China Unicom. The survey covers many aspects of corporate governance of China Unicom before and after the mixed ownership reform. By May 18,2023, a total of 400 questionnaires had been distributed and 397 questionnaires were returned. Based on the scientific nature of statistics, the questionnaires with the same content were deleted, and 395 valid questionnaires, 98.75% of which were obtained. Through the longitudinal comparison and analysis of the data, this paper's main idea and suggestions are summarized.

### **3.6 Data Analysis**

This data analysis method mainly adopts reliability and validity analysis and descriptive statistical analysis.

Reliability analysis refers to the consistency, stability and reliability of test results (Huang, 2020). When the same method is used to repeatedly measure the same object, the consistency of the results is obtained. Usually, internal consistency is used to represent the reliability of the test (Zhang et al., 2020). Validity, also known as "validity", is the degree to which the measurement tools and methods accurately measure the measured object.

Validity analysis refers to the degree to which the measuring tool or means can accurately measure the things to be measured. If the measured result is more consistent with the content to be tested, the higher its validity (Zhang et al., 2020). In a standard trustworthiness test, you first need a Bach factor greater than 0.7. The second is that CR has to be greater than 0.7. Implementation method: Bach coefficient or use SPSS software for reliability analysis, you can directly output this coefficient.

Finally, descriptive statistical analysis refers to the use of routine test records or data obtained through special investigation (including laboratory test results), describing the distribution of data or indicators under investigation as well as relevant characteristics and influencing factors in the population, and conducting comparative analysis on this basis, and then obtain clues and propose hypotheses and clues (Yang & Gao, 2020).

### **3.7 Reliability analysis of the scale**

By examining the individual validity and reliability and factor loadings (Hair & Hult, 2017). The results show that the CR value was above the recommended threshold of 0.7, confirming the reliability of the construct, thus confirming the discriminant validity in our data.

**Table 3-2 Reliability statistics**

Cronbach's Alpha	Based on the standardized item Cronbach's Alpha	Number of terms
.916	.933	395

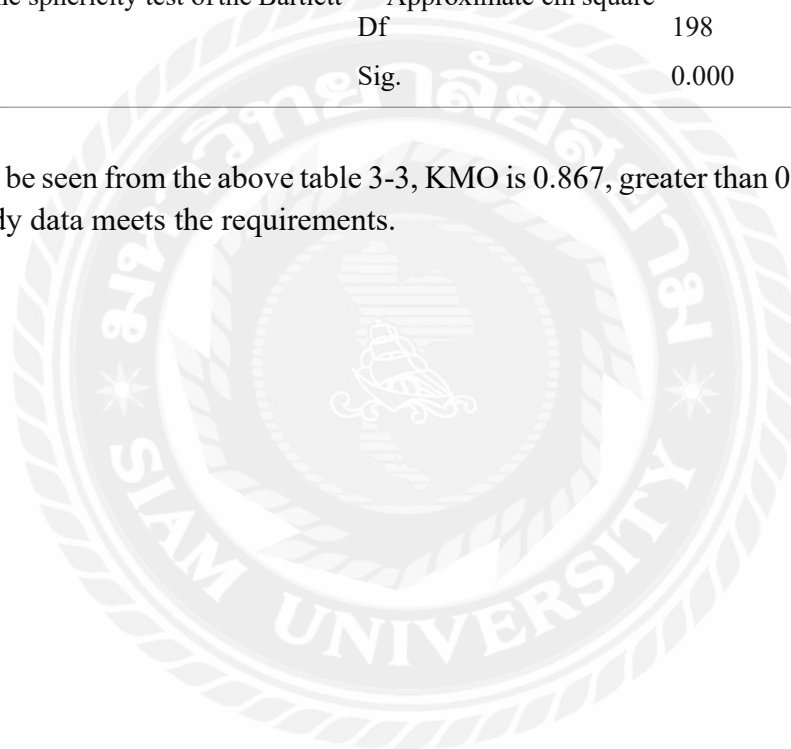
In conclusion, the reliability coefficient value of the study data is 0.916, indicating the credibility of the data.

Validity analysis results are interpreted with the product development validity interpretation table by Aiken's to obtain the validity (Dewi et al., 2020). The results are shown in the following table 3-2.

**Table 3-3 KMO and Bartlett's Test**

Sample a sufficient Kaiser-Meyer-Olkin metric.	0.867
The sphericity test of the Bartlett	Approximate chi square
Df	6752.832
Sig.	198
	0.000

As can be seen from the above table 3-3, KMO is 0.867, greater than 0.6, indicating that the study data meets the requirements.



## Chapter 4 Finding

### 4.1 Introduction

Unlike this context, in the era of the employee economy and effective incentive strategy to control workers, it is not enough to focus on the incentive aspect of expectation theory. Of course, in the process of effective incentive strategies of the platform, workers are motivated by providing a variety of compensation and choices. However, many communication elements are added to allow workers to choose (Govier, 1992). The choice of which factors to choose is ultimately closely related to workers' labor productivity and results. While choosing a certain element, there are more cases of abandoning a certain element. In addition, there are cases where the workers can't make the same choice.

Therefore, while deepening the effective incentive strategy, platform enterprises should consider the action selection view of the expectation theory when adding the components. Motivation is particularly important in work, tasks and activities of employees' economy: creative work, transactional work, and behavior change (Mahmoudimehr & Sebghati, 2019). This chapter focuses on a detailed analysis of the data collected that meet the research criteria and, on the analysis, and discussion of the research questions and hypotheses presented in Chapter 2, and then test the hypotheses presented in Chapter 2.

### 4.2 Description of statistical variables

Due to the large amount of data, the descriptive statistics results are shown in Table 4-1.

Descriptive statistical analysis of samples:

**Table 4-1 Sample analysis**

question	option	N	%
Your gender	Male	312	78.99%
	Female	83	21.01%
Your age stage	Under the age of 18	0	0.00%
	And 19-25 years old	194	49.11%
	From 25 to 45 years old	137	34.68%
	Over 46 years old	64	16.20%

A total of 312 male samples and 84 female samples were collected in this questionnaire, accounting for 78.99% and 20.75%, respectively. The gender distribution was not quite balanced, but it is in line with the reality. Secondly, users tend to be younger: users between 19 and 25 are the most, accounting for 49.11% in total.

### 4.3 Quantitative analysis

Henseler et al. (2015) states that a key advantage of using frequency analysis is more general and is influenced by model misspecification in some subparts of the model. The results are as follows:

**Table 4-2 Frequency analysis**

	N	Minimum	Maximum	Mean value	Standard deviation
Has China Unicom ever carried out the mixed ownership reform?	395	1	5	3.70	1.025
What do you think changes before and after the mixed ownership reform?	395	1	5	3.56	1.068
Does the mixed-ownership reform have an impact on corporate governance?	395	1	5	3.29	1.097
What do you think of the overall governance efficiency of China Unicom?	395	1	5	3.65	1.073
Please evaluate the satisfaction of China Unicom's business indicators	395	1	5	3.38	1.056
Please make an evaluation on the satisfaction with the operation vitality of China Unicom	395	1	5	3.49	1.061
What do you think the company will do after a clear governance plan and mixed ownership reform?	395	1	5	3.74	1.065
Effective N (List status)	395				

In order to discuss whether there is a correlation and causal relationship between the business indicators and the corporate governance before and after the implementation of the mixed ownership reform, as well as the correlation degree and related direction. SPSS. 26 software was used to analyze the correlation of the variables and test the results with bilateral dominance. Table 4-3 below:

**Table 4-3 Regression coefficients**

Variable	CP	OI	IMOR
Explained variable			
CG	1		
Influence variable			
OI	.318**	1	
IMOR	.454**	.611**	1

pour: \*. At level 0.05 (two-tailed), the correlation was significant; \* \*. At the 0.01 level (two-tailed), the correlation was significant. Sample size: N=395.

1)Operational Indicator (OI).The correlation coefficient was 0.318, with a significant positive correlation at the level of 0.01; 2)Implement mixed-ownership reform(IMOR).The correlation coefficient was 0.454, with a significant positive correlation at the level of 0.01; From the correlation analysis results, the correlation

between Corporate Governance (CG) and Operational Indicator (OI) and Implement mixed-ownership reform (IMOR) is consistent with as expected in this paper, and there are significant positive correlation, indicating that H1-H2 is established.

#### **4.4 Corresponding countermeasures are proposed for the current problems of China Unicom Company**

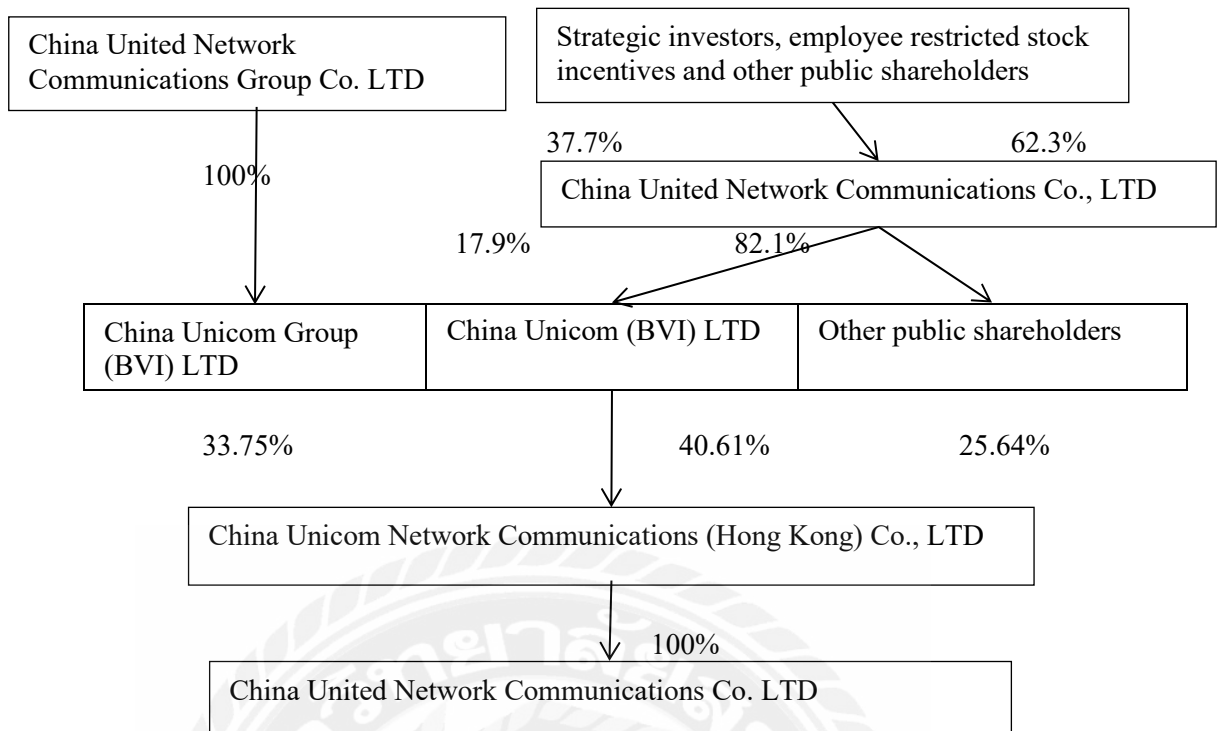
##### **4.4.1 Optimize the composition of the board of directors**

As shown in Figure 3, China Unicom Group holds 62.74% of the shares of China Unicom company, and public shareholders hold 37.25% of the shares. China Unicom Group has absolute control. Under the original ownership structure, most of the board of directors' members are appointed directly by SASAC, which can be said to have the dual responsibilities of "managing capital" and "managing enterprises". The board of directors is largely subject to the power of the government with limited actual power and usually follows the instructions of the superior government to focus on the target of social benefits. In this case, public shareholders' interests are easily ignored. In addition, due to the lack of outside investors to participate in the decision-making of the board of directors, the board of directors controlled by state-owned shareholders may inevitably make wrong decisions due to the lack of understanding of the rapidly changing external market conditions. It can be seen that the lack of external investors in the board of directors to form effective checks and balances with state-owned shareholders. Due to the excessive concentration of power, the effect of strategic decisions of the board of directors may be reduced, thus affecting the development of enterprises, causing losses to the interests of other shareholders, and reducing the investment confidence of public shareholders in the market.

In 2017, after the completion of the stock issue and equity transfer, the ownership structure of China Unicom company changed significantly, and the group's shareholding ratio decreased from 62.74% to 37.7% (Tian, 2020). After the employee stock ownership plan was launched in 2018, the shareholding ratio of the group was further reduced to 36.7%, while the shareholding ratio of institutional investors and strategic investors was up to 35.2%, and the restricted stock incentive of employees accounted for 2.6%. The adjustment of the ownership structure of China Unicom company changed the ownership structure from a highly concentrated type to a moderately concentrated type. Major company decisions need to be made jointly by the shareholders' meeting, improving the effectiveness of internal mutual supervision (2017.2018 Annual Report of China Unicom Company).

Previously, due to the incomplete contract, the supervision degree of senior executives was very limited. To obtain residual profit claim, strategic investors who joined after the mixed ownership reform would increase their enthusiasm in participating in the decision-making process of enterprise operation and pay attention to the restraint and supervision of the behavior of the company's management, to promote the improvement of enterprise management efficiency.





**Figure 4-1 Equity structure chart of China Unicom Company after reform**

After the comprehensive implementation of mixed ownership in 2017, China Unicom immediately elected a new board of directors. In 2018, the first extraordinary general meeting of shareholders was voted through, and the sixth board of directors was re-elected with Wang Xiaochu as the chairman. The new board has 13 members: eight non-independent directors and five independent directors. One of the representatives is Yin Zhaojun of China Life Insurance Group, the other four are Lu Shan, president of Tencent's technology and engineering group; Robin Li, CEO of Baidu; Liao Jianwen, chief strategy officer of JD.com; and Hu Xiaoming, president of Alibaba Group (He, 2014). However, before the mixed ownership reform, the four non-independent directors of the board of directors are all China Unicom company insiders. After the mixed ownership reform, the number of independent directors has increased to five, which can effectively constrain the executive directors.

However, to accelerate the transformation of operation mechanism and establish core competitiveness, China Unicom company introduced private capital on the premise of maintaining state holding, which not only helped its board of directors to be more diversified, but also introduced new sources of funds for it. In addition, business cooperation and mutual assistance with private enterprises was conducive to promoting the transformation and upgrading of traditional business (He, 2014). As far as private investors are concerned, the board of directors after the new term has added seats for private capital in the non-independent directors. China Unicom company takes an overly conservative attitude towards development strategy, which leads to missing development opportunities. Increasing the voice of non-state-owned shareholders in the board of directors is conducive to checking and balancing the major state-owned shareholders, diluting the role of the original state-owned shareholders' rights and

avoiding the invalidity of decision-making. At the same time, the restriction of private capital on state-owned shareholders also encourages the decision-making of the board of directors to pay more attention to the interests of non-state-owned shareholders and the rights and interests of other stakeholders, to strengthen the prevention of major shareholders' infringement on the rights and interests of other minority shareholders.

#### **4.4.2 Strengthen the construction of managers**

Traditional state-owned enterprises may usually face a large management team, but the division of related responsibilities is unclear, resulting in low management efficiency. In the case of an imperfect performance appraisal system or incomplete implementation, which leads to the enterprise not maintaining continuous vitality and motivation in the increasingly fierce market competition. In addition, the information transmission chain of state-owned enterprises is long (He, 2014). And the efficiency and effect of enterprise resource allocation are further affected. Therefore, after the implementation of the mixed ownership reform of China Unicom Company, in order to cooperate with the goal of the company's transformation and development as well as the transformation of its governance structure.

In terms of cost control, it is beneficial to realize fine cost control. The establishment of a micro business organization, the company's business segmentation, so that employees can perform their own duties to promote the improvement of individual executive power with the overall interests of the team, fully mobilize the action of front-line employees, in order to improve the quality of professional services, increase income (Tian, 2020). After the mixed ownership reform, China Unicom company fully integrates the elements of market competition into the personnel selection and withdrawal mechanism.

#### **4.4.3 Establish equity incentive mechanism**

China Unicom company has continuously promoted the reform of the responsibility contract system, talent training, salary system, appraisal system and other aspects by dividing small teams. Among these reform measures, personnel incentive is particularly important, so China Unicom launched the restricted stock incentive plan for employees in 2017 to improve the incentive system, strengthen the incentive effect, and enhance the stickiness of high-quality talents. After receiving approval from the State-owned Assets Supervision and Administration Commission of the State Council in 2017, China Unicom launched an internal selection program to determine the recipients. It shows that the first grant date of restricted stock of China Unicom company is March 21, 2018. The total number of grants is 7,752 people, and the number of grants is 793,861 million shares, accounting for 0.1% of the total capital stock. (2018, China Unicom Annual Report). From the perspective of the selection of awarding personnel, different from the traditional awarding plan, in which the awarding objects are completely inclined to senior managers, the scope of the stock incentive awarding objects of China Unicom Company this time is wider, including not only managers but also core professional and technical talents.

At the same time, China Unicom company stipulated that the effective time range

of the restricted stock issued this time is 5 years, the first 2 years is a restricted period, and the last 3 years is an unlocked period, to extend the effect of incentive time for employees, which is conducive to retaining excellent employees, enhancing the stickiness between employees and the company, and forming a benign mechanism of joint growth of outstanding talents and the company (He, 2014). In addition to empowering employees with corresponding rights, a strict assessment mechanism for exercising power has been developed. The development of unlocking conditions based on performance objectives is conducive to realizing the purpose of equity incentives. People-oriented, the internal capacity of the enterprise is substantially enhanced, to improve the business performance of the enterprise and increase the guarantee for realizing the long-term business objectives.

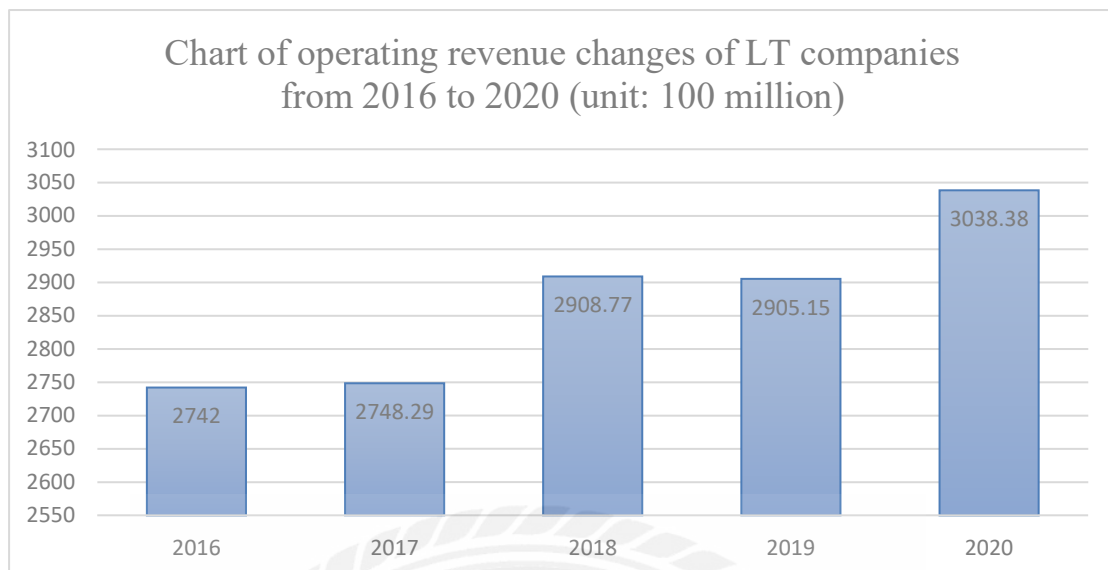
#### **4.4.4 Introduce strategic investors**

China Unicom sold 6.3 per cent of its shares to China's state-owned Enterprise Restructuring Fund in 2017 and issued A-shares to other strategic investors through private offering. Internet and retail e-commerce companies have a combined stake of 15.1 per cent. A total of 75 billion yuan has been injected into the issue and transfer of shares, effectively solving the dilemma of insufficient development funds and enhancing the impetus for innovative development and the ability to resist risks. Tencent, Baidu, JD.com and Alibaba each sent a representative to China Unicom's sixth board of directors, elected at the company's first general meeting in 2018 (Tian, 2020). The introduction of the Internet's leading industry as a strategic investor is to bring the full support of technology, talent, capital and so on to China Unicom Company. In order to cope with intensifying external competition and promote the scale development of innovative businesses, further strengthening the service level of traditional 4G services and laying out the construction of 5G network to develop large-scale innovative businesses as the leaders in the Internet industry, Tencent, Baidu, Ali and other enterprises have many Internet customers. However, under the challenge of industry upgrading and intensifying competition, the range of capital expenditure further increased, and the rising speed of costs exceeded the growth rate of operating revenue, resulting in a decrease of net profit after tax of 95.6% in 2016 (Tian, 2020). Therefore, China Unicom company has absorbed several Internet industry leaders.

### **4.5 Analysis of financial synergies by introducing strategic investors**

#### **4.5.1 Increase the level of main business revenue and profit**

Based on the original business capability, China Unicom company vigorously promotes the transformation of mobile business development mode, actively promotes the development of innovative business scale, and vigorously develops innovative business. From 2016 to 2020, China Unicom company's revenue in the field of mobile business innovation increased continuously, and its total main business revenue also increased from 274.2 billion yuan in 2016 to 303.838 billion yuan, an increase of 10.81%.

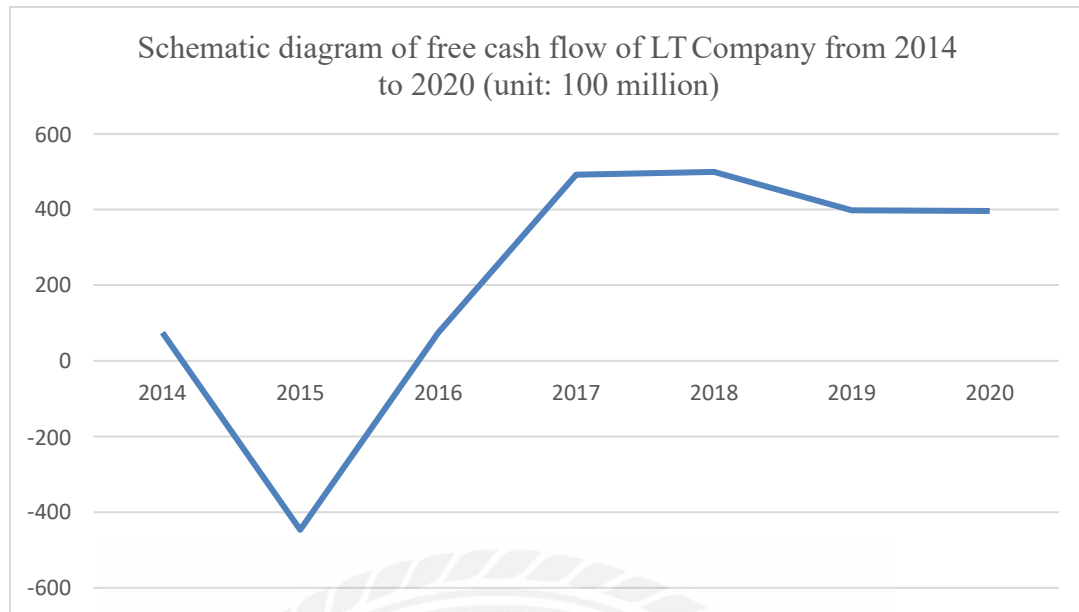


**Figure 4-2 Chart of operating revenue changes of China Unicom companies from 2016 to 2020 (unit: 100 million)**

It can be seen that the participation of Internet strategic investors promotes and helps China Unicom company to actively transform its business structure and business model, explore new business products and innovation areas, develop rapidly in the field of mobile business 2I2C, pay attention to the improvement of user perceived value and service quality, and effectively promote the transformation of operation. By developing new businesses in collaboration with strategic investors, China Unicom will not only facilitate its own digital transformation, but more importantly, enhance its brand value and accumulate momentum for future sustainable development (He, 2014). It can be seen that the introduction of strategic investors accelerated China Unicom's comprehensive digital transformation, improved its traditional business structure, enhanced its product power and profitability, and thus increased its market share. And by taking advantage of the R&D advantages of strategic investors and cooperating to set up joint laboratories, China Unicom continues to expand its business application scenarios and enhance its competitive advantage of differentiation.

#### **4.5.2 Reduce debt levels while increasing cash flow**

After the implementation of mixed ownership reform in 2017, China Unicom's management mechanism and operation mechanism have undergone great changes. Measures such as streamlining the organization and delegating autonomy have remobilized the vitality of the enterprise. Free cash flow increased from RMB7.42 billion in 2016 to RMB49.21 billion in 2017, and remained in the range of RMB39.68 billion to RMB49.96 billion from 2018 to 2020 (Tian, 2020). Although capital expenditure increased due to the introduction of 5G network layout, cash flow of operating activities is enough to cover capital expenditure and cash flow is sufficient under the condition of better overall operating efficiency.



**Figure 4-3 Schematic diagram of free cash flow of China Unicom Company from 2014 to 2020 (unit: 100 million)**

The introduction of 14 industry-leading strategic investors invested about 75 billion yuan in China Unicom company, and the asset-liability ratio of Unicom dropped to 46.48% in 2017, and remained at about 40% in the following three years (Tian, 2020). It can be seen that with the improvement of operating efficiency, the cash flow generated by operation gradually replaced short-term borrowing to provide funds needed for daily operating activities. It reduces the default risk faced by the enterprise as a whole and enhances the anti-risk ability.

#### 4.6 Hypothesis test analysis

All hypotheses were first stepped forward with groups. Results showed with Andersn and Johansn (2016) confirmed that the reasons may also depend on the platform and its operational requirements. Table 4-4 shows the results of the proposed model estimation, as follows:

**Table 4-4 the model evaluation**

Hypothesis	Result
H1: Mixed ownership reform has a positive impact on the corporate governance of China Unicom.	Establish
H2: The business indicators of China Unicom before and after the current mixed ownership reform of China Unicom have a significant impact on the company's governance situation.	Establish

The quantitative analysis shows that hypotheses 1-2 both holds. The relationship between the mixed ownership reform and China Unicom's corporate governance is mutual and has a positive impact. On the other hand, the business indicators of China Unicom

before and after the current mixed ownership reform have a certain relationship with the state of corporate governance, and there is a significant impact between them.



## **Chapter 5 Conclusion and Recommendation**

### **5.1 Conclusion**

First, this mixed ownership positively impacts China Unicom's corporate governance. On the one hand, the board of directors' system has been improved. After the mixed ownership reform, the board of directors shall be selected through the general meeting of shareholders, and the company's articles of association shall be amended to improve the board system. Through the mixed ownership reform, the management of the board of directors of the company will be more perfect, and the matching of board members will be more scientific, which meets the requirements of checks and balances between state-owned shares, private shares, independent directors and employee representatives and scientific decision-making. The board governance of China Unicom company has been strengthened.

On the other hand, it improves the employee incentive mechanism. This mixed ownership reform liberalizes the incentive system for the company's outstanding employees and senior managers, and improves the company's support for scientific research investment and staff training. When the company's industry is in the stage of rapid growth, flexible incentive system is adopted to improve the production efficiency of the enterprise on the one hand, and retain talents for the enterprise on the other hand. For the future may face more intense competition in the industry to do a good job of adequate talent reserve.

Secondly, it enables enterprises to adapt to the trend of industrial development, accelerate the expansion of production capacity, improve the level of production technology, carry out industrial upgrading, improve the production efficiency of enterprises, and expand the customer group, so that enterprises can seize the opportunity, assisted by more efficient governance mechanism, so that enterprises can occupy the customer group market more quickly.

Third, according to the annual report of China Unicom company, the enterprise's growth in various indicators such as debt paying ability, operation ability, profitability and growth ability has exceeded that before the mixed ownership reform.

Fourth, the corporate governance of China Unicom company under the mixed ownership reform still needs to be further improved. Although the corporate governance ability of China Unicom company has been significantly improved under the mixed ownership reform, and the business situation of China Unicom company has also been greatly improved, there is still a large room for progress in the future.

### **5.2 Recommendation**

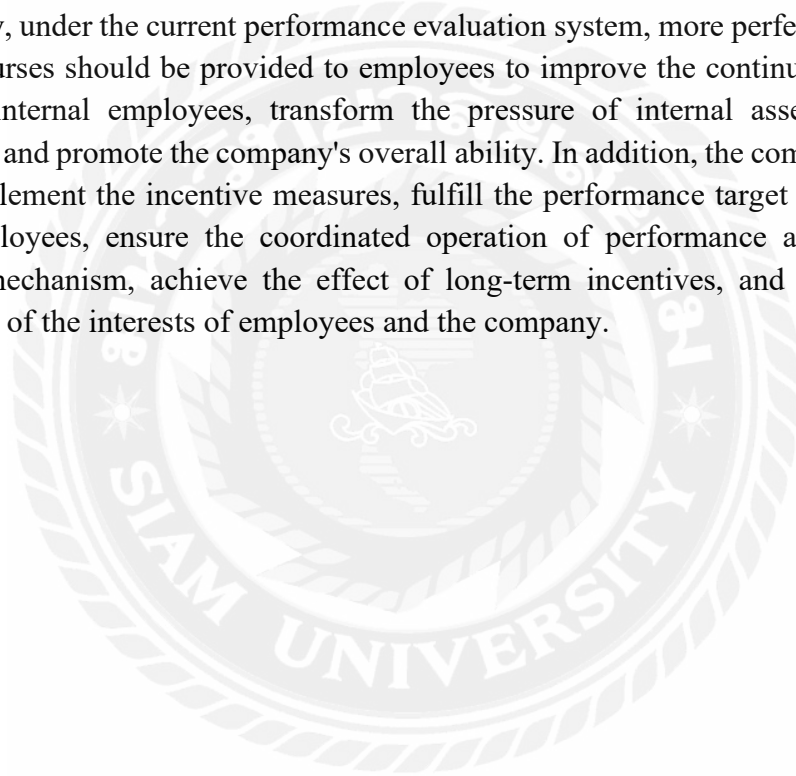
In summary, this paper puts forward the following suggestions for the subsequent development of China Unicom company:

First of all, China Unicom company should further clarify its industrial development plan, seize the advantages of 5G technology to expand middle and high-end mobile business, consolidate and clarify the strategic position of innovative business, improve the comprehensive solution capability and service level, and

accelerate the completion of industrial transformation layout.

Secondly, China Unicom company introduces institutional investors and Internet industrial strategic investors to solve the risk of capital shortage. In the future, China Unicom company should develop business cooperation with strategic investors to improve management. In the future, China Unicom company should strengthen the exchange of talents and technologies with strategic investors to make full use of resource advantages. At the same time, to effectively safeguard the board of directors' independence and improve the effect of corporate decision-making, non-state-owned capital should be enhanced to a certain extent in the company's major decision-making power. On the other hand, the telecom industry belongs to the basic livelihood industry of the country. In the process of introducing investors, enterprises that recognize the fundamental functions of state-owned enterprises should be selected to ensure the realization of the government service function.

Finally, under the current performance evaluation system, more perfect vocational training courses should be provided to employees to improve the continuous learning ability of internal employees, transform the pressure of internal assessment into motivation, and promote the company's overall ability. In addition, the company should strictly implement the incentive measures, fulfill the performance target commitment to the employees, ensure the coordinated operation of performance appraisal and incentive mechanism, achieve the effect of long-term incentives, and promote the consistency of the interests of employees and the company.





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# Appendix

## Questionnaire

Dear colleagues,

Thank you for your contribution to China Unicom! If the company wants to develop and change, we need to look at all the contradictions. Please fill in the problems of the company and your opinions. Your opinions are crucial to the development of the company. Welcome your sincere thinking, sincere answer, in these sincere thanks.

### PART 1. The basic problem

1. Your gender is [single choice] \*

- A.man
- B.woman

2. Your age? [single choice] \*

- A, under 18 years old
- B, aged 19 – 25 years old
- C, from 25 to 45 years old
- D, and over 46 years of age

3. Do you think the company has a clear governance strategy? [single choice] \*

- A, yes, but not clear
- B, not have
- C, believe yes, but I don't know
- D, have

4. Has China Unicom ever carried out the mixed ownership reform? [single choice] \*

- A, I know, but I don't agree
- B, heard of, very vague
- C, occasionally heard of
- D, never heard of it

5. What do you think the company will do after a clear governance plan and mixed ownership reform? [single choice] \*

- A. Clear on the development direction of the company and its employees
- B, stimulate morale
- C, cannot be designated as
- D, unnecessary

6. What do you think are the changes between China Unicom before and after the mixed ownership reform? [single choice] \*

- A, would be better       B, similar to before       C, it gets worse       D, hard to express it clearly

7. What do you think is the obvious competitive advantage of China Unicom? [single choice] \*

- A, make good use of talent       B, management advantages       C, cultural advantage  
 D, Cost advantage       E, and have no advantage       F, other

8. Does the mixed-ownership reform have an impact on corporate governance? [single choice] \*

- A, it is very influential       B, comparative influence       C, same as       D, make no difference

PART 2. Organize the problem

9. Do you think the company's organizational management framework is clear and has a clear division of labor? [single choice] \*

- A, very clear       B, organization and division of labor       C, the execution force is not good       D, it is very unclear

10. When asking for instructions from the direct superior, does the superior often say to you that "I need to ask for instructions from my superior" to give a reply? [single choice] \*

- A, often       B, same as       C, once in a while       D, hard to explain

11. Do you need more power in personnel allocation, job allocation, evaluation / promotion, rewards and punishments of the department (management answers)? [single choice] \*

- A, need       B, it is enough       C, too much power       D, cannot be designated as

12. Is the company handling daily affairs in an orderly manner? [single choice] \*  
 A, very orderly     B, same as     C, muddledness     D, in a complete mess

13. When you need the assistance of relevant departments, the cooperation status of relevant departments is: [Multiple choice] \*

A, fine     B, better     C, mal     D, very bad

14. In the affairs that require the cooperation of relevant departments, you think the responsibilities between various departments are defined: [Multiple choice] \*

A, very clear     B, more clear     C, indeterminacy     D, it is very unclear

15. Does the direct superior put forward clear requirements for the work? [single choice] \*

A, very clear     B, clearer     C, indeterminacy     D, it is very unclear

16. Are you very clear about your job responsibilities and powers? [single choice] \*

Far from grunted     Discontent     Same as     Satisfied     To feel quite pleased

### PART 3. Business indicators affect the status quo

17. What do you think of the overall governance efficiency of China Unicom? [single choice] \*

Far from grunted     Discontent     Same as     Satisfied     To feel quite pleased

18. Please make an evaluation on the satisfaction of China Unicom's business indicators [Single choice] \*

Far from grunted     Discontent     Same as     Satisfied     To feel quite pleased

Please make an evaluation on the satisfaction with the operation vitality of China

Unicom [single choice] \*

- Far from grunted       Discontent       Same as       Satisfied       To feel quite pleased

Thanks!

