

Contents

1	General Theory	1
1.1	Liberal Market Economies and Coordinated Market Economies	1
1.2	Market-Based Firms' Governance Structure and Coordinated Firms' Governance Structure	2
1.2.1	Firms' Governance Structures Defined by Five Dimensions	2
1.2.2	The Market-Based Governance Structure Versus the Coordinated Governance Structure	3
1.3	Case Studies on Two Basic Types of Firms' Governance Structures	10
1.3.1	The "German and Japanese Model" for the Coordinated Firms' Governance Structure	10
1.3.2	The "American and British Models" for the Market-Based Firms' Governance Structure	16
1.3.3	The "Taiwanese Model" for the Market-Based Firms' Governance Structure	23
1.4	Institutional Complementarities, Continuity, and Divergence	25
1.4.1	Institutional Complementarities	25
1.4.2	Institutional Continuity and Divergence	28
2	Firms' Governance Structure in the Chinese State Sector	33
2.1	SOE Reorganization: Keeping the Large and Letting Go of the Small (<i>zhuada fangxiao</i>)	33
2.1.1	"Letting Go of the Small" in the Competitive Industries	35
2.1.2	"Keeping the Large" in the Strategic Industries	36
2.2	The Formation of the State Ownership Coordinated Modern Governance Structure of SOEs	39
2.2.1	The Corporatization of SOEs Results in High Levels of Surplus	39
2.2.2	The State as the Majority Owner of SOEs Has Extraordinary Power To Deploy Investable Funds for Technological Modernization	50

2.2.3	Worker Participation in Corporate Governance	54
2.2.4	The State Ownership Coordination Based SOE Groups	56
2.2.5	The Financing Pattern of SOEs Independent of Short-Term Profitability	63
2.2.6	Good Performance and Long-Term Innovation Strategies of SOEs	77
2.2.7	The Corporate Governance of SOEs Resembles the German–Japanese “Insider” Model	84
2.2.8	The Different Types of Coordination Between SOEs and the Firms in Coordinated Market Economies	88
3	Firms’ Governance Structure in the Chinese Private Sector	91
3.1	The Development and the Sectoral Distribution of the Private Sector	91
3.1.1	Development of the Private Sector	91
3.1.2	The Sectoral Distribution of Private Sector and State Sector	93
3.2	The Governance Structure of Chinese Private Firms	96
3.2.1	Ownership and Control of Chinese Private Firms	96
3.2.2	Employer–Employee Relations	104
3.2.3	Financing Pattern, Performance Criteria, and Competitive Capability	107
3.2.4	Personal Networks Different from the Institutionalized Coordination in Coordinated Market Economies	116
3.2.5	The Chinese Private Sector Is Not Supportive for Coordinated Industrial Districts	124
3.3	Privatized SOEs, Collectives, and TVEs Converge to Direct Owner-Controlled Firms	132
3.3.1	Privatized SOEs Converge to Direct Owner-Controlled Firms	132
3.3.2	Privatized Collectives Converge to Direct Owner-Controlled Firms	136
4	Foreign Direct Investment, Technology Transfer, and Dual Convergence in the Dual-Structured Chinese Market Economy	145
4.1	FDI and Technology Transfer Drive the Convergence Between Economies with Similar Models	145
4.2	The Dual-Structured Chinese Market Economy Supports Its Dual Convergence Toward Both Coordinated Market Economies and Liberal Market Economies	146
4.2.1	Massive Waves of FDI Flow to China	146
4.2.2	The Remarkable Long-Term Economic Growth of China	157
	Conclusion	159

Contents	xvii
References	175
About the Author	197
Index	199

The Governance Structures of Chinese Firms
Innovation, Competitiveness, and Growth in a Dual
Economy

Liao, C.

2009, XXVI, 206 p. 8 illus., Hardcover

ISBN: 978-1-4419-0035-7