

Analysis of China Unicom Corporate Governance Problems and Solutions

Liqi Wang^{1, a}

¹MBA, graduate school, SIAM UNIVERSITY, Bangkok, Thailand

^aE-mail: 714250749@qq.com

Abstract: Tian Guoqiang, an economist, pointed out that "the mixed ownership economy with cross-shareholding and mutual integration of state-owned capital, collective capital and private capital is an important form of realizing the basic economic system. "The implementation of mixed ownership is conducive to expanding the functions of state-owned capital, maintaining and increasing its value, improving its competitiveness, and helping all kinds of ownership capital learn from each other, promote each other and develop together (Tian, 2005). This shows that China has taken a big step in the reform of mixed ownership with mixed ownership enterprises as the main body. In enterprise management, corporate governance determines the long-term development plan and strategic direction of enterprises. Therefore, the reform of corporate governance structure of mixed ownership enterprises is of great significance to deepen the reform of mixed ownership and the related development of China's economic field (Tian, 2005). The purpose of this paper is to explore the establishment of corporate governance framework of mixed ownership enterprises under China's national conditions, analyze the existing problems of China Unicom, such as the imperfect structure of the board of directors and the loopholes in the professional manager system, and put forward solutions such as optimizing the structure of the board of directors, strengthening the construction of managers, and establishing equity incentive mechanism, so as to improve the corporate governance structure of China Unicom. And provide solutions and experience for the follow-up development of China's state-owned enterprises.

Keywords: Mixed ownership reform, corporate governance, Governance structure, Governance mechanism, infrastructure, China Unicom.

1. Introduction

1.1. Research Background

As an important pillar of China's economic market, state-owned enterprises not only undertake the basic mission of enterprise management, but also undertake various important social responsibilities (Tian, 2005). Over the past 40 years of reform and opening up, China has carried out a series of comprehensive reforms aimed at economic construction and national strength building. During this period, China's state-owned enterprises have been constantly updated and explored in the reform of mixed ownership, and have achieved rich reform results and experience. Analyzing the scale of enterprises from a macro perspective, China's state-owned enterprises almost have a monopoly advantage in terms of capital and resources due to the strong support and pertinence of the early national policies (Yang, & Tong, 2015). With the influence of Chinese cultural tradition, they have assumed the title of national credit to a certain extent. Therefore, a large number of talents in China continue to pour into state-owned enterprises with huge industrial scale. On the contrary, the drawbacks of state-owned enterprises are complicated working procedures, heavy workload, low efficiency and weak innovation ability, which have gradually become the special labels of enterprises in the new era of enterprise development. The advanced private enterprises are very sensitive to the ever-changing characteristics of the market, and can often make corresponding countermeasures in time to adjust the development direction and strategy of enterprises. Compared with state-owned enterprises, private enterprises have the characteristics of flexible working mechanism, keen insight into market demand, strong innovation ability and

high operating efficiency to a certain extent, but also expose their own shortcomings (Yang, & Tong, 2015). Compared with state-owned enterprises, private enterprises have disadvantages such as insufficient capital resources, small production scale and backward management. The reform of mixed ownership can achieve the best solution through complementary advantages and resource integration (Yang, & Tong, 2015). On the one hand, the resources and funds of state-owned enterprises can be effectively utilized and flexibly allocated, thus reducing the "burden" phenomenon; on the other hand, private enterprises can also get abundant financial assistance, talent and technical support. Under the above background, China's state-owned enterprises have begun a new round of structural reform. The government actively encourages state-owned enterprises to explore new forms of capital mixing, revitalize the productivity and creativity of state-owned assets through the reform of mixed ownership, and improve the dual problems of poor corporate governance and low operational efficiency of Chinese state-owned enterprises (Tian, 2022). The existing research on the reform of state-owned enterprises is mainly based on the theory of property rights, principal-agent theory and other related theories. Based on the research theory of existing scholars, this paper specifically analyzes the problems of China Unicom in corporate governance, and puts forward the corresponding solutions to the problems to accelerate the process of China Unicom's joint-stock reform.

1.2. Research Problems

China's basic strategic industries are basically monopolized and controlled by state-owned enterprises. The focus of the new round of SOE reform is also the reform of strategic basic industries related to people's livelihood (Wang,

2022). Compared with traditional industries, telecommunication enterprises belong to high-tech industries, which have higher technological control and sensitivity to market demand (Hu, Song, & Zhang, 2006). The frequency of technology updates in the telecommunications industry is much higher than that in other traditional industries (Wang, 2022). Because of this, the telecommunications industry has always been a key industry in China and has always been at the forefront of reform. However, with the introduction of relevant policies and the acceleration of industrial transformation, China Unicom is obviously lack of competitiveness in the industry, and there is an obvious strength gap with its main competitors. Therefore, this paper chooses China Unicom as a case study to analyze the problems and challenges that China Unicom needs to face in the reform of mixed ownership, and to make decisions on how to deal with the problems.

1.3. Objective of the study

The purpose of this paper is to analyze the current problems of China Unicom's corporate governance, and propose solutions to the exposed problems. Finally, through the comparison of business indicators before and after the reform of China Unicom's mixed ownership, this paper draws the practical experience and program reference of China Unicom's mixed ownership reform.

1. Discuss the shortcomings and drawbacks of China Unicom in the current corporate governance structure.
2. Solutions to the Problems of China Unicom

1.4. Scope of the study

This study mainly analyzes the problems exposed in the mixed ownership reform of China Unicom, one of the three giants in China's telecommunications industry, and the solutions to the problems. Due to China's unique cultural environment and political factors, China formed a unique management model and system of state-owned enterprises in the early stage (Pan, 2015). Based on a large number of literature review and theoretical review of the management mode of mixed ownership enterprises, this paper finds out the problems of corporate governance of mixed ownership enterprises in China, and combines with the actual situation of China Unicom, puts forward the corresponding solutions to these problems exposed by China Unicom, so as to better improve the corporate governance of China Unicom.

1.5. Research Significance

Based on the analysis of the changes in the composition of controlling shareholders in the mixed ownership reform of China Unicom, this paper analyzes the impact of specific practical measures on the overall operating performance of China Unicom, such as the change of board members, the change of employee incentive policies, and the improvement of enterprise's ability to resist risks, and draws conclusions and suggestions. The significance of this study is divided into theoretical significance and practical significance. In terms of theoretical significance, with the continuous optimization of the reform of mixed ownership of state-owned enterprises in China, Chinese enterprises have gradually formed a reform model aimed at establishing a modern enterprise system. Scholars have rich research and literature on the corporate governance of Chinese state-owned enterprises under the reform of mixed ownership. However, under the influence of favorable policies issued by the government, such as the rise

of the stock market or the steady rise of international market demand, there are relatively few literatures on whether Chinese state-owned enterprises need to learn the management mode of private enterprises, rapidly change the governance mechanism, firmly grasp the development opportunities, and how to balance the development opportunities and operational risks (Tian, 2005). The research of this paper can further enrich the theoretical research of state-owned enterprises participating in the reform of mixed ownership and optimizing corporate governance under the opportunity of industrial development. In terms of practical significance, it clarifies the specific impact of the reform of mixed ownership of China Unicom on the operation of enterprises by optimizing corporate governance. In the context of the rapid development of the telecommunications industry, China Unicom, the subject of this case study, seems to have been unable to adapt to the trend of the rapid development of China's state-owned enterprises in the process of examination and approval, corporate governance policies and policies are conservative and cautious. The use of private enterprise management means such as equity change not only introduces the concept of private enterprise management, but also conforms to the development trend of enterprises and industries (Tian, 2005). This paper analyzes the impact of the change of China Unicom's corporate governance mechanism, which can provide a reference for other traditional industries participating in the reform of mixed ownership in corporate governance.

1.6. Theoretical framework

Principal-agent Theory: In the principal-agent theory, the enterprise should separate the ownership from the management right, and the owner of the enterprise should grant the management right to the professional manager while retaining the supervision right of the enterprise. The basic professional division of labor allows professional people to do professional things to improve the efficiency of enterprise operation (Pan, 2015). The company signs contracts with professional managers, who provide professional services for them, and the company pays corresponding remuneration according to the services and benefits provided by the managers. The owner wants to maximize the profit of the company, while the agent wants to maximize his own interests, so a new principal-agent problem arises. Because the interests of the principal and the agent are not completely consistent and the information is asymmetric, it may lead to opportunistic behavior of the agent, using the information advantage to bypass the supervision for their own benefit, which damages the interests of the principal, which is the first contradiction of the principal-agent problem (Qin, 2015). At the same time, due to the inconsistency of the owner's rights and interests between the major shareholders and the minority shareholders in the principal, the major shareholders have the opportunity to use the information difference and power to encroach on the interests of the minority shareholders, which is the second contradiction of the principal-agent problem (Qin, 2015). The principal-agent cost includes supervision cost, constraint cost and residual loss cost (Laffont, & Martimort, 2002). The principal-agent problem can be solved by corporate governance, and the rights and interests of the principal owner can be safeguarded and protected by law (Shleifer, & Vishny, 1997). How to use corporate governance to avoid principal-agent costs by signing contracts and improving the agent mechanism has become the key point to

solve the problem (Zheng, 2015). China Unicom's participation in the reform of mixed ownership, on the one hand, introduces private shares, so that asset owners have a higher enthusiasm to participate in management driven by interests, on the other hand, it is more conducive to the introduction of corporate governance model of private enterprises, multi-equity checks and balances and common development, and fundamentally reduces the cost of principal-agent by optimizing the composition of equity. In order to avoid the principal-agent problem, the government should improve the relevant laws to safeguard the rights and interests of minority shareholders and investors (Miller 2005). And in the internal environment of the company, we should improve corporate governance, use the company system to safeguard the rights and interests of shareholders from top to bottom, and use equity incentives to avoid the problems caused by principal-agent (Han, & Xi, 2021). Therefore, China Unicom's participation in the reform of mixed ownership and optimization of ownership structure are conducive to fully stimulating the development momentum and vitality of China Unicom..

property rights theory: Property rights doctrine holds that in the case of privatization of property rights, the owner of property rights, driven by interests, has a strong motivation to participate in the management of means of production and continuously improve the production efficiency of enterprises for more surplus profits. If there is no property right in the social and economic system, it will lead to inefficient social operation and inefficient allocation of market resources (Huang, 2020). According to the theory of property rights, property rights have four characteristics: clarity, exclusiveness, transferability and operability. Through the observation of state-owned enterprises in China, we can find that although the property rights of state-owned enterprises are clear, the property rights are owned by the state, and the ownership and income are shared by the people of the country, which cannot avoid the lack of exclusiveness, transferability and operability. The owner of property rights is the state, which means that managers can not enjoy the operating results of enterprises exclusively. They will not run enterprises driven by interests (Huang, 2020). This has also led to the wrong business philosophy of the managers of state-owned enterprises, who believe that how to operate performance is not the most important, on the contrary, the ultimate goal is to steadily and accurately complete the business indicators assigned by the state government at all levels, assume social responsibility and avoid business risks. China once privatized state-owned capital on the grounds of "clear property rights", which also caused the loss of a large number of state-owned assets, so maintaining the value of state-owned assets has become the focus of the management of state-owned enterprises, and the lack of exclusivity of state-owned enterprise capital means that it has lost its profit incentives. The power to make decisions to maximize benefits under the control of the invisible hand of the market (Guo, 2011). However, the owners of privatized property rights can exclusively enjoy the surplus profits brought by the operation of private property, and they can legally obtain and distribute the profits obtained, which gives the owners of assets a direct incentive to care about the operating income of assets (Huang, 2020). Therefore, on the basis of introducing private capital, strategic investors and employee option equity into the reform of mixed ownership, state-owned enterprises have improved the situation of "equalizing performance" of traditional state-

owned enterprises, and also represented the integration of state-owned assets into private assets with exclusivity and transferability, which is driven by the interests of private property rights. On behalf of the owners of private enterprises, they have more motivation and enthusiasm to participate in enterprise management, which can make the operation of enterprises more market-oriented, fully stimulate the production capacity of state-owned enterprises, and drive state-owned capital to achieve more effective resource allocation (Li, & Zhao. 2015).

2. Literatures Review

2.1. The Problems of China Unicom

2.1.1. The phenomenon that the system of independent board of directors becomes a mere formality

In the context of the continuous advancement of the reform of mixed ownership, most of the independent boards of directors in state-owned enterprises are held by non-professionals, such as retired government officials, who have different levels of professional competence and cannot meet the requirements of modern corporate governance and scientific decision-making, as well as major shareholders. Failure to protect the interests of minority shareholders (Li, Ma, & Zhang, 2019). The owners of state-owned enterprises do not have the real power to supervise the operation of the management of state-owned enterprises, resulting in the confusion of powers and responsibilities of the board of directors and managers, and the phenomenon that the independent board of directors system becomes a mere formality, which leads to the failure to effectively supervise enterprises and affects the direction and planning of enterprise development.

2.1.2. The shareholders' meeting is controlled by the ultimate shareholders.

Usually, the main way for shareholders to exercise their decision-making supervision power is to participate in the shareholders' meeting of the company. The general meeting of shareholders shall vote on major matters related to the enterprise according to the different proportions of shares held by each shareholder, such as deciding on the merger of the company, annual accounts, profit distribution, board members, etc. Therefore, in the general meeting of shareholders, the decision-making on major matters of the company is entirely based on the proportion of shares to determine the importance of the right to speak. Large shareholders with absolute resolution power can control the company to some extent. In the face of absolute control, the general meeting of shareholders is like a superficial process. The general meeting of shareholders almost carries out decision-making functions according to the personal wishes of the major shareholders. The minority shareholders cannot express their personal positions and suggestions. They are more like participants and listeners, and have no actual decision-making power (Ye, Qiu, & Zhang, 2016).

2.1.3. Management "internal control" issues

The management is not only the guarantor of the implementation of the board resolution, but also the daily manager of the enterprise. Because they play a connecting role in the operation of the company, the real control is in their hands. Although in a sense, shareholders and management have the same interests and goals, and the results of the company's operation directly affect the interests of both sides, it is not difficult to find that in fact, the pursuit of goals of

both sides is different. The ultimate goal of shareholders is to maximize the interests of the enterprise, which is relatively single; however, the goals of management as operators are sometimes more diversified, and they pursue not only personal income but also power and status (Xiao, & Qiao, 2015). If there is a conflict of interest between the two, the management will often use their real control rights to try to weaken the constraints of the owners, and it is very likely to sacrifice or even infringe on the legitimate rights and interests of the owners to achieve the purpose of satisfying their own interests (Xiao, & Qiao, 2015).

2.2. Analysis on corporate governance mechanism of mixed ownership reform

2.2.1. Optimize the composition of the board of directors

Under the original ownership structure of China Unicom, the appointment of board members is mostly directly appointed by SASAC, which can be said that SASAC has dual responsibilities of "managing capital" and "managing enterprises", and the board of directors is largely subject to government power, with limited actual power, and usually follows the instructions of the higher government to focus on enterprise management. In this case, the interests of public shareholders are easily ignored (Zhu, 2020). In addition, due to the lack of external investors to participate in the decision-making of the board of directors, it is inevitable that the board of directors controlled by state-owned shareholders may make wrong decisions due to lack of understanding of the rapidly changing external market situation. With the support of the government, the wrong decisions of state-owned enterprises may be difficult to receive due attention and be corrected in time. There is a lack of external investors in the board of directors to form effective checks and balances with state-owned shareholders. Due to the over-concentration of rights, it may reduce the effect of strategic decision-making of the board of directors, thereby affecting the development of enterprises, causing losses to the interests of other shareholders, and reducing the investment confidence of public shareholders in the market (Zhu, 2020). After the completion of stock issuance and equity transfer in 2017, the ownership structure of China Unicom has changed significantly, and the adjustment of ownership structure has changed the ownership structure of China Unicom from a highly centralized type to a moderately centralized type, and the adoption of multi-ownership structure has reduced the concentration of ownership, thus realizing the mutual checks and balances of equity to a certain extent. Major decisions of the Company shall be jointly made by the general meeting of shareholders to improve the effectiveness of internal mutual supervision (Chen, 2019). In 2017, China Unicom elected a new board of directors, and in 2018, the first provisional shareholders' meeting was voted through, and the sixth board of directors was re-elected. After the change, there are 13 members in the board of directors, consisting of 8 non-independent directors and 5 independent directors. Among the non-independent directors, five are appointed by institutional investors and private strategic investors who joined after the reform of mixed ownership, while only three are senior executives within China Unicom. However, before the reform of mixed ownership, four non-independent directors were all internal staff of China Unicom. By increasing the number of seats of other investors, the number of members of the board of directors is expanded, and the structure of the board of directors is optimized, so that private

capital can effectively check and balance with state-owned shareholders, and can absorb opinions from various parties before voting on major decisions of the company, thus reducing the possibility of strategic deviation (Chen, 2019). It can be seen that other investors introduced include both state-owned capital and private capital, but the telecommunications industry in which China Unicom is located is the basic strategic industry of the country, so it is still necessary to maintain the influence of state-owned capital at the shareholders' meeting. In order to ensure the overall controllability of enterprises and prevent the possibility of bad private capital shaking the basic industries of the country, China Unicom's mixed ownership reform has joined other state-owned capital. China Unicom has introduced other state-owned enterprises as investors, consolidating the control of state-owned capital over basic industries. However, in order to accelerate the transformation of operating mechanism and establish core competitiveness, China Unicom has introduced private capital on the premise of maintaining state-owned holding, which not only helps its board of directors to build more diversified, but also introduces new sources of funds (Zhang, & Liu, 2018). In addition, through business collaboration with private enterprises, it is conducive to promoting the transformation and upgrading of traditional business..

2.2.2. Strengthen the construction of company managers

Traditional state-owned enterprises usually face a huge management team, but the division of relevant responsibilities is not clear, resulting in low management efficiency, in the case of imperfect performance appraisal system or inadequate implementation, they will also face the lack of competition awareness and motivation of their branches, which leads to the failure of enterprises to maintain sustained vitality and motivation in the increasingly fierce market competition. In addition, state-owned enterprises have a long chain of information transmission, which affects the effectiveness and timeliness of information transmission to a certain extent, whether it is the slow process of top-level decision-making or the distortion of grass-roots feedback in the transmission process, and further affects the efficiency and effectiveness of enterprise resource allocation (Zhang, & Liu, 2018). Therefore, in order to coordinate with the company's transformation and development goals and the transformation of governance structure, China Unicom encourages personnel to expand to innovative business areas and promote the active participation of all enterprise personnel in the reform process, so that the management system can achieve initial synergy in the reform process. The management and subordinate employees of state-owned enterprises usually have the thinking habit of poor efficiency and national "bottom-up". Under the background that strict performance appraisal mechanism and incentive mechanism have not yet been established, the execution ability of employees is low, which affects the management efficiency of the company, and then affects the realization of operating efficiency and shareholders' interests (Chen, 2019). Before the reform of mixed ownership, China Unicom initially planned the strategic policy of "dividing small teams into responsibility contracting system", which was carried out in various places after the reform of mixed ownership. The strategic policy of "dividing small teams for responsibility contracting system" is to establish a positive relationship between the personal interests of operators and the benefits of enterprises, to divide small teams into interest centers, and to

assess, supervise and evaluate each micro-organization as an individual. The specific steps of the strategic policy of "dividing small teams for responsibility contracting system" can be summarized as the following six points: establishment of micro-organizations, selection of team leaders, assessment of operating income and profit and sharing of incremental revenue, inverted triangle service support, IT system support, and supervision and evaluation system (Zhu, 2020). In terms of cost control, it is conducive to the realization of fine cost control. Establish a micro-business organization to subdivide the company's business, so that employees can perform their duties to promote the improvement of personal execution with the overall interests of the team, and fully mobilize the action of front-line employees, so as to improve the quality of professional services and increase revenue (Cui, 2021). After the reform of mixed ownership, China Unicom fully integrates the elements of market competition into the selection and withdrawal mechanism of personnel, establishes the withdrawal mechanism of open competition and competency evaluation, and if it fails to meet the assessment criteria, it will face the possibility of being demoted, repeated or even dismissed, and enhance the sense of competition among internal employees. Actively set up personal and team goals to promote the overall competitiveness of the company.

2.2.3. Establishment of equity incentive mechanism

China Unicom has continued to promote the reform of responsibility contracting system, personnel training, salary system, assessment system and other aspects by dividing small teams. Among these reform measures, personnel incentive is particularly important, so China Unicom launched the employee restricted stock incentive plan in 2017 to improve the incentive system, strengthen the incentive effect and enhance the stickiness of high-quality talents (Chen, 2019). After obtaining approval from the State-owned Assets Supervision and Administration Commission of the State Council in 2017, China Unicom launched an internal selection plan to determine the awarding personnel. From the point of view of the selection of granting personnel, unlike the traditional granting plan in which the granting object is completely inclined to senior managers, the stock incentive granting object of China Unicom is wider, including not only managers, but also core professional and technical personnel, which shows that the incentive measures tend to grass-roots personnel and exclusive personnel. It emphasizes business-oriented and more pay for more work, which enhances the relationship between grass-roots employees and the interests of the company. At the same time, China Unicom has stipulated that the effective time range of the restricted stock issued this time is five years, the first two years are the restricted period, and the last three years are the unlocking period, so as to extend the incentive time for employees, which is conducive to retaining excellent employees, enhancing the stickiness between employees and the company, and forming a benign mechanism for the common growth of excellent talents and the company. The design of the granting conditions is guided by the performance objectives, and the main business income, total profit and return on net assets are compared with the basic standards. Only when the corresponding performance indicators are achieved, can the stock be unlocked accordingly, and the enthusiasm of the management team and the creativity of the employees be stimulated, so as to promote the value creation of the employees for the company and the realization of the overall

performance objectives of the company (Chen, 2019). While giving employees corresponding rights, it also formulates a strict assessment mechanism for the exercise of power, and formulates unlocking conditions based on performance objectives, which is conducive to the real realization of the purpose of equity incentives, people-oriented, and substantially enhancing the internal capacity of enterprises, so as to improve the business performance of enterprises and increase the guarantee for the realization of long-term business objectives (Chen, 2019).

2.2.4. Invite strategic investors to join the management of the company

In 2017, China Unicom transferred 6.3% of its shares to the China State-owned Enterprise Structural Adjustment Fund through share transfer, and issued A-share ordinary shares to other strategic investors through non-public issuance of shares. The total shareholding ratio of Internet and retail e-commerce enterprises is 15.1%. The issuance and transfer of shares injected a total of about 75 billion yuan, effectively solving the dilemma of insufficient development funds before, and enhancing the driving force of innovation and development and the ability to resist risks. The introduction of leading Internet industries as strategic investors is to bring all-round support for China Unicom in terms of technology, talent and capital. In order to cope with the intensification of external competition and promote the development of innovative business scale, the funds raised by the reform of mixed ownership will be mainly used for three major business projects to further strengthen the service level of traditional 4G services, while laying out 5G network construction and developing innovative business on a large scale (Zhang, & Liu, 2018). Tencent, Baidu, Ali and other enterprises, as leaders in the Internet industry, have a large number of Internet customers. By cooperating with them, innovating business models, fully realizing resource sharing and business collaboration, they can help China Unicom acquire new users at a lower cost. China Unicom has absorbed several Internet industry leaders, and through in-depth cooperation with strategic investors, it is conducive to promoting the upgrading of traditional business and vigorously innovating and launching new business, so as to optimize its traditional business structure (Zhang, & Liu, 2018)

3. Research Methodology

This article mainly uses the qualitative research analysis method to analyze the problems existing in the corporate governance of China Unicom. Specific applications are as follows:

1. Literature research method. In view of the research topic of this article, I have collected a large number of literature and related theories, and strive to understand the relevant theoretical knowledge comprehensively and systematically through reading, induction, analysis, summary and other systematic processes, so as to lay a solid theoretical foundation for the study of this article.

2. Comparative analysis. Through the comparative analysis of different expert theories, corporate governance theories and corporate governance models, this paper summarizes the characteristics of each theory, theory and model, and makes dialectical analysis to learn from each other, so as to provide reference for the study of this paper and avoid falling into limited understanding..

4. Finding and Conclusion

4.1. Improve the main business income and profit level

On the basis of the original business capabilities, China Unicom vigorously promotes the transformation of mobile business development model, actively promotes the development of innovative business scale, and vigorously develops innovative business. From 2016 to 2020, China Unicom's revenue in the field of mobile business innovation has been increasing, and its total main business revenue has also increased from 274.2 billion yuan in 2016 to 303.838 billion yuan, up 10.81%. It can be seen that the participation of Internet strategic investors promotes and helps China Unicom to actively transform its business structure and business model, explore new business products and innovative areas, develop 2I2C business rapidly in the field of mobile business, focus on improving user perceived value and service quality, and effectively promote business transformation. By cooperating with strategic investors to develop new business, it is not only conducive to China Unicom's own digital transformation, but also more importantly, it is conducive to enhancing its brand value and accumulating momentum for sustainable development in the future. It can be seen that the introduction of strategic investors has accelerated the overall digital transformation of China Unicom, through improving the traditional business structure, enhancing its product strength and profitability, so as to enhance its market share; China Unicom continues to expand its business application scenarios and enhance its differentiated competitive advantages by building joint laboratories with the help of the R & D advantages of strategic investors (Cui, 2021).

4.2. Reduce debt levels while increasing cash flow

China Unicom re-mobilizes the internal vitality of the enterprise by streamlining the organization and decentralizing the autonomy. The assessment criteria oriented by business objectives promote the efficiency of staff and management. More importantly, by introducing strategic investors, China Unicom can play a more effective role in the board of directors, prevent decision-making errors and enhance market judgment. After the reform of mixed ownership, the main business income level of China Unicom has gradually rebounded, and the cash flow of business activities has also stopped falling and rebounded. With the improvement of overall operating efficiency, the cash flow from operating activities is sufficient to cover capital expenditure, and the cash flow is sufficient. The free cash flow increased from 7.42 billion yuan in 2016 to 49.21 billion yuan in 2017, and remained at the level of 39.68-49.96 billion yuan from 2018 to 2020. Fourteen strategic investors with leading positions in the industry invested about 75 billion yuan in China Unicom, and the asset-liability ratio of China Unicom dropped to 46.48% in 2017 and remained around 40% in the next three years. All the funds raised will be invested in network construction and production and operation, alleviating the large amount of funds needed for research and development of new technologies and new businesses, so that it can further enhance the level of 4G, and lay out 5G technology and innovative business construction projects. The introduction of new business has also improved the operating results of China Unicom in 2017, and the increase in net cash flow generated

by operating activities has enabled China Unicom to have more free cash flow, thus reducing its borrowing amount. Among them, China Unicom's main sources of debt financing are short-term loans, long-term loans and bonds payable. Before the reform of mixed ownership, China Unicom's external debt financing sources are mainly short-term loans. Although the cost of capital is low, it faces greater financial risks. After the reform of mixed ownership, not only the overall debt financing level of China Unicom has declined, but also its debt financing structure has undergone tremendous changes, and the proportion of short-term borrowing financing has declined dramatically, which shows that with the improvement of operating efficiency, enterprises gradually replace short-term borrowing through cash flow generated by operation. It reduces the default risk faced by the enterprise as a whole and enhances the ability to resist risks (Cui, 2021).

5. Recommendation

To sum up, this paper puts forward the following suggestions for the follow-up development of China Unicom: First of all, China Unicom should further clarify the company's industrial development plan, seize the advantages of 5G technology to expand high-end mobile business, consolidate the strategic position of innovative business, enhance the ability of comprehensive solutions and service level, and accelerate the completion of industry transformation layout. Secondly, China Unicom's introduction of institutional investors and strategic investors in the Internet industry has solved the risk of capital shortage. In the future, China Unicom should increase its business coordination with strategic investors and improve its operating level. In the future, China Unicom should strengthen the exchange of talents and technology with strategic investors and make full use of its resource advantages. At the same time, in order to effectively maintain the independence of the board of directors and enhance the effect of corporate decision-making, non-state-owned capital should be strengthened to a certain extent in the company's major decision-making; on the other hand, the telecommunications industry is a national basic livelihood industry, in the process of introducing investors, enterprises that recognize the fundamental functions of state-owned enterprises should be selected to ensure the realization of government service functions. Finally, under the current performance appraisal system, we should provide more perfect vocational training courses to employees, improve the continuous learning ability of internal employees, transform the pressure of internal appraisal into power, and promote the overall ability of the company. In addition, the company should also strictly implement incentive measures, fulfill its performance target commitment to employees, ensure the coordinated operation of performance appraisal and incentive mechanism, achieve long-term incentive effect, and promote the consistency of employee interests and company interests.

References

- [1] Chen, H, H. (2019). A Study on Employee Stock Ownership Plan of a Company under the Reform of Mixed Ownership of State-owned Enterprise (Master's thesis). Retrieved from http://zz.xue1888.com/kns/brief/Default_Result.aspx?code=S CDB

- [2] Cui, Y, J. (2021). The Impact of Mixed Ownership Reform on Corporate Governance: a Case Study of China Unicom. Investment and cooperation, (07), 13-16.
- [3] Huang, N. (2020). China Unicom's Mixed Ownership Reform and Performance Analysis. China Unicom's Mixed Ownership Reform and Performance Analysis, 2020 (11), 88-92.
- [4] Laffont, J. & Martimort, D. (2002). The Theory of Incentives: The Principal-Agent Model. New York: American Management Association.
- [5] Li, Y, H. Ma, Z. & Zhang, B, S. (2019). Mode Innovation of Mixed Ownership Reform in State-owned Group Enterprises — — Taking China Unicom as an Example. Accounting Newsletter, 2019 (11), 63-66.
- [6] Miller, G, J. (2005). THE POLITICAL EVOLUTION OF PRINCIPAL-AGENT MODELS. Annual Review of Political Science, 2005 (8), 203-225.
- [7] Pan, G, Z. (2015). The essential of State-owned enterprise Reform -- perfecting the corporate governance structure of State-owned enterprise. Enterprise reform and management, 2015 (12), 55-58.
- [8] Qin, Y, M. (2015). Problems and Countermeasures of Performance Management in China's State-owned Enterprises. Modern Economic Information Journal, 9 (36), 101-102.
- [9] Shleifer, A. & Vishny, R, W. (1997). A Survey of Corporate Governance. Journal of Finance, 1997 (52).
- [10] Tian, G, Q. (2005). The Basic Analytical Framework and Research Methods of Modern Economics. Economic Research, 2 (1).
- [11] Wang, H, P. (2022). Performance Analysis of Mixed Reform of State-owned Enterprises — — Taking China Unicom as an Example. Journal of Financial Management Research, 42 (10), 22-30.
- [12] Xiao, G, Q. & Qiao, H, B. (2015). Mixed Ownership Economy and the Reform of State-owned Enterprises. Socialist Research Press, 95 (4), 52-57.
- [13] Yang, H, Y. & Tong, L. (2015). Corporate internal governance in mixed ownership reform of state-owned enterprises, Technical Economics and Management Research, 66 (5), 50-54.
- [14] Yang, H, Y. & Tong, L. (2015). On Corporate governance of State-owned enterprises under mixed ownership reform. Macroeconomic research, 23 (1), 42-51.
- [15] Ye, C, G. Qiu, L, & Zhang, L, J. (2016). Corporate Governance Structure, Internal Control Quality and Corporate Financial Performance. Audit Research Journal, (2), 104-112.
- [16] Zheng, Z, G. (2015). The Logic and Path of Corporate Governance and Mixed Ownership Reform of State-owned Enterprises. Securities Market Herald, 2015 (6), 4-12.
- [17] Zhao, X, D. (2021). The Dilemma and Outlet of China's Corporate Governance System. Modern Law Science, 43 (02), 05-08.
- [18] Zhang, J, D & Liu, S, H. (2018). The Choice of Strategic Investors from the Perspective of China Unicom's Mixed Ownership Reform. Accounting Research, 60 (6), 58-65.
- [19] Zhu, Y, B. (2020). A Case Study of China Unicom's Corporate Governance under the Background of Mixed Ownership Reform (Master's thesis). Retrieved from http://zz.xue1888.com/kns/brief/Default_Result.aspx?code=S CDB