The Enlightenment of Zhejiang's "Future Community" Practice on the Management Transformation of State-owned Enterprises

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Abstract. Urban investment state-owned enterprises have made a lot of contributions to China's urban infrastructure, but with the development of the economy and policy adjustments, the transformation of such enterprises has been the general trend. The community is the smallest unit of the urban fabric, not only carrying the people's needs for a better life but also being the grassroots platform for urban management. Zhejiang has taken the lead in putting forward the concept of " future community " and started a pilot practice, which is regarded as one of the major innovative initiatives to promote the high-quality development of the Zhejiang economy. This paper summarizes the history and significance of Zhejiang's " future community " construction practice and draws significant insights from the experience and practices that are beneficial to the business transformation of state-owned enterprises in China.

Keywords: Future community; State-owned enterprise transformation; Business management, Enterprise strategic planning.

1. Introduction

It was noted in the Guidance Opinions of the CPC Central Committee and the State Council on Deepening the Reform of State-owned Enterprises released by China in 2015 that SOEs should improve their capacity for independent innovation, speeding up transformation and upgrading, and at the same time, it should timely optimize the key investment directions and areas of state-owned capital in accordance with the needs of key industrial layout adjustment SOEs.

Because of their own attribute characteristics, China's SOEs have not only to innovate but also to seek a balance among the interests of all parties in the reform process, which makes it much more difficult to explore and develop new businesses and new fields in the reform process.

In recent years, Zhejiang has explored and put into practice a new construction model of " future community ", which has a lot of inspiration for the transformation of state-owned enterprises. For example, how to comply with the new orientation of real estate development? How to get out of the new way and enhance competitiveness under the innovative mode of urban construction and management? How to win a place in the new industry driven by the trend?

2. The background of business transformation of urban investment-type SOEs

China's urban investment SOEs were established in the 1980s to perform tasks such as urban infrastructure construction on behalf of the government. In 1991, China's State Council carried out a new round of reform of the investment and financing system, and put forward clear requirements for infrastructure construction around the country, requiring such construction to follow the path of market-oriented and corporatized development, with no government intervention. Since then, for

decades, urban investment-type SOEs have played a pivotal role in the development of cities, especially in urban infrastructure construction and local economic development. However, along with the development of the local economy, large and small urban investment companies across the country, because of their own unique nature, have not been operating satisfactorily and have experienced the development dilemma of not being able to keep up with their capital chains and facing huge government debt risks.

Based on some current national policies, in order to add momentum to the development of local cities and to stimulate the development of enterprise vitality and market competitiveness, overall, the transformation of business for urban investment-type state-owned enterprises is urgent.

3. What is the “future community”?

The “future community” was first written in the " Government Work Report " of Zhejiang Province in early 2019, and then the province made a clear definition and put forward the top-level design of " 139 ", " 1 " refers to the promotion of comprehensive human development and social progress, highlighting the high-quality Life spindle, to meet the people’s desire for a better life as a center, to create a people’s community satisfied with the life of the masses." 3 " refers to the people-oriented, ecological, digital as three dimensions of the value of the coordinates, highlighting the people-oriented, ecological low-carbon, intelligent operation of the original value of the community. " 9 " refers to the nine scenes of innovation focusing on the future neighborhood, future education, future health, future entrepreneurship, future architecture, future transportation, future low-carbon, future service, and future management.

In a nutshell, it is a new type of urban functional unit with a sense of belonging, comfort, and future built with the values of humanization, ecology, and digitalization, and the basic connotation of harmony and co-governance, green intensification and wisdom sharing, highlighting the spine of high quality of life.

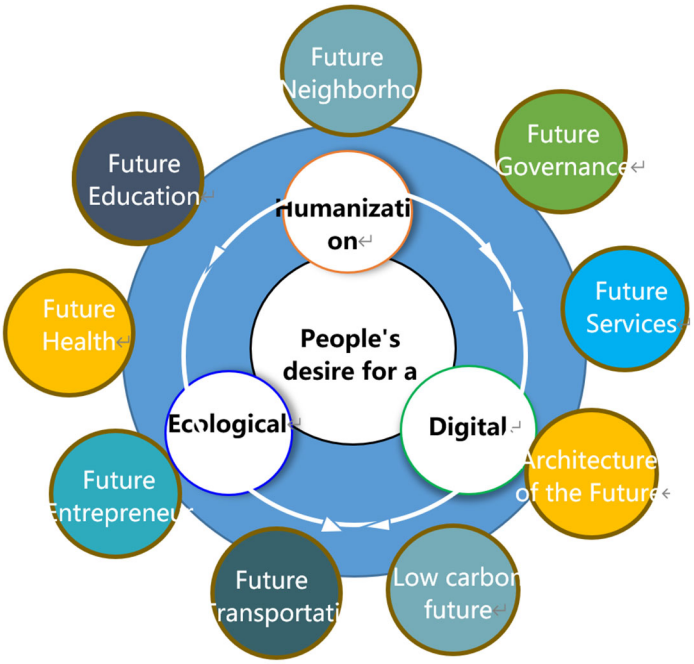

Figure 1. The “139” top-level design for “future communities”

4. Zhejiang " future community " construction promotion history

In November 2018, research work on the topic of future community construction was launched.

In January 2019, the two provincial councils in Zhejiang Province included " future communities " in the " Zhejiang Provincial Government Work Report " for the first time.

In April 2019, the Zhejiang Provincial Government officially issued the " Zhejiang Province Future Community Construction Pilot Work Program ", which also marked the full launch of the province's future community construction pilot work.

On June 27, 2019, the Development and Reform Commission of Zhejiang Province officially announced the proposed list of the first batch of " future community " pilot projects, in which 24 communities, such as Hangzhou Shangcheng Shippanqiao Community, were selected.

On August 22, 2019, the government of Zhejiang Province organized a docking session for the famous enterprises in the central ones into the four major constructions - hand in hand to build the future community, at which Yuan Jiajun, secretary of the provincial party committee of Zhejiang Province, saw and signed a framework agreement for cooperation between China Communications Group and Wenzhou City for the future community, containing four communities such as Lucheng Jixin Community, Longwan Fuchun Community, Ouhai Nanhu Community, and Yongjia Yalin Community.

On May 27th, 2022, the meeting promoting the construction of the basic unit of modernization of common prosperity in Zhejiang Province officially announced the list of the first basic unit of modernization of common prosperity in Zhejiang Province, among which there are 28 future communities.

This collection of initiatives exemplifies Zhejiang Province's desire to create the "community of the future," with a "people-oriented" and "de-real estate" principle that will enhance individual's quality of life while also fostering investment. On the other hand, it will encourage investment, assist in the transformation of existing markets, and help create new ones in the industrial sector.

5. Financial and policy support for building " future communities "

If transportation and environmental capacity are permitted, Zhejiang Province proposes to reform the distribution mechanism of key urban resource elements following the specifications of system design and de-realization, based on the overall balance of funds for community operation. It is researching and creating policies to support the development of high-quality pilot communities for the future while primarily focusing on the following policy developments.

First of all, spatial policy to make the people beneficial.

The transformation and renewal projects, to fulfill the needs of the original residents, in line with the premise of construction standards, multi-dimensional, global thinking, to explore the original space indicators to change the " one-size-fits-all " simplistic control, appropriating to increase the floor area ratio, breaking with the plane green space ratio restrictions, enhancing the intensity of development, through the incremental area of rent and sale to achieve a basic balance of funds, so that Residents can move in, live in and live well.

Secondly, land policy to make investment has an effect.

When planning new projects, land concessions should refer to the "standard land" practice, the implementation of "with the program, with planning, with the project" concessions, and appropriate reductions in land premiums and related costs.For the composite use of land, the efficient use of rewards reduces the comprehensive cost of land. After the pilot project is identified and named, the construction land plan index can be rewarded according to the mechanism of increasing and saving the linkage.

Third, financial and fiscal to make the local incentive.

The net proceeds with land concessions to renovation and renewal projects, in addition to the portion, turned over to the state, the full amount returned to the county (city, district) for pilot construction. For the pilot outstanding results, the completion of benchmark leading demonstration projects in the county (city, district), the provincial treasury will then be rewarded. Encourage financial institutions' credit resources to the future community pilot tilt, to provide interest rate concessions.

6. The significance of building " future communities.

Led by the Development and Reform Commission of Zhejiang Province, a questionnaire survey on " Future Community " was conducted in the province in November 2018, with a total of about 30,000 valid questionnaires collected. According to the survey results, the current problems of insufficient space intensive use of old neighborhoods, the relatively lagging level of public facilities and services, the poor quality of the community ecological environment, and the lack of interactive communication carriers for neighborhood relations are prominent. The construction of " future communities " can bring " four dividends " to our province.

(I) Building the " community of the future " can improve the livelihood of the general public.

According to the results of the above questionnaire, only 11% of the current community planning satisfaction, low space utilization in the old community, there is insufficient parking allocation, insufficient green space plazas, and other problems, reaching 53% and 42% respectively, the essential reason is that the development intensity is unreasonable, land use is not intensive, which seriously restricts the community construction and development. In particular, the problem of building space utilization is prominent, and nearly three-quarters of the residents are more concerned about the design of household types (Figure 2).

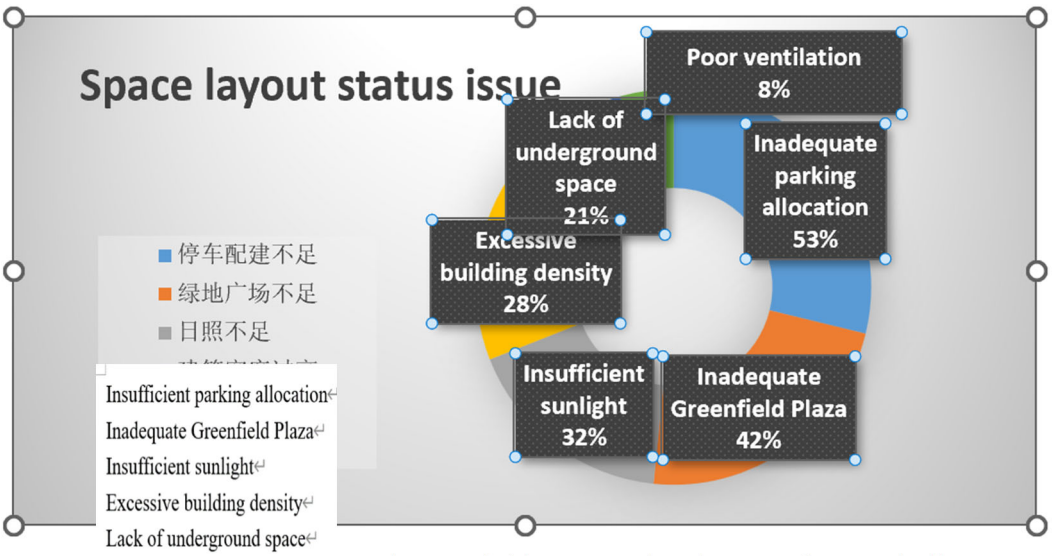

Figure 2. Cu munity spatial layout today (Source from: Zhejiang Provincial Development and Reform Commission, Zhejiang Provincial Planning and Design Institute).

The future community attaches importance to humanistic transformation, the most intuitive feeling is to enhance the city's sense of temperature, that is, the realization of " human urbanization ". The overall planning and design of the future community are more people-oriented, with the principle of " people-oriented " running through the whole process, not only focusing on building a good house but also caring about the house as a residence for people to live happily (Table 1).

Meanwhile, the future community will also start from infrastructure construction and public services to improve the overall spatial planning of the community, and enhance the aesthetics and practicality of the buildings We will increase the comprehensive support and service support for education coverage, medical coverage new transportation, entrepreneurship, new retail, etc. so as to cover all the objects of the whole life chain service and make it more in line with the needs of residents.

(II) Building " communities of the future " can drive big investments.

The construction of the " community of the future " can be divided into two main directions, one is the renovation of old neighborhoods, and the other is the planning of new areas. In the former, "Smart + " technology will be introduced on a large scale to improve infrastructure and public services, i. E, IOT (Internet of Things) will be used to renovate the original facilities, stimulating the demand for water, electricity, and transportation around the community and driving the investment boom. For

the new areas, the TOD model will be used to attract investment from all walks of life by playing the transportation card - " 5-10-30 minutes to travel circle ".

Table 1. Functionality of future communities compared with ordinary communities.

Comparison Items	The general community today	Future Communities
Residence and Community	To meet the residential needs of residents	A complex of residential, educational, recreational, health, and commercial facilities to meet diverse and multifaceted daily needs
Residences and Networks	Simple lines, such as broadband and fiber access, with a single function. Generally attached to buildings	Homes of the community are integrated with the network, and facilities such as electrical appliances and hardware in the building can be intelligently controlled by IoT to enhance the convenience of daily life and appearances
Housing and Amenities	Hardware facilities to meet basic living needs	With the requirements of convenience, intelligence, energy saving, environmental protection, and aesthetics, we can realize the security facilities including residential doors and windows, electricity, hot and cold water, heating and cooling, garbage disposal, network, vehicle parking, rainwater collection, etc.
Housing and Ecology	Simple Green	Garden-type community with a beautiful environment, combining green, ecological, and environmental requirements

(III) Building the " community of the future " can drive big industries.

The use of the Internet of Things, big data, artificial intelligence, and other new generation of information technology to build the " future community " is based on the "innovation, green, harmonious, sharing, open " development concept, further integration of industrialization, urbanization, information technology initiatives. The new features of the future community, including hardware sharing, intelligent interconnection, functional integration, and green low-carbon, will drive a series of new intelligent industries and technologies to the ground.

(IV)Building " communities of the future " can contribute to a major transformation.

The current urban governance has problems such as waste of resources and ecological damage, and the " future community " advocates the concept of intelligent, green, and shared urban management, leading to " three major" transformations - Transformation of city operation and management, the transformation of community governance, and transformation of residents ‘lifestyles. Details are as follows.

Firstly, Promote the transformation of urban operation and management.

It should transform from "development, light management" to "human culture, long-term sustainability" to solve the problems of low efficiency of urban management, comprehensive support services, etc., around the needs and expectations of residents, improve the temperature of the city, improve the happiness of residents.

Second, Promote the transformation of the community management model.

It should change from "flat" to "intelligent" mode, connecting to the city’s intelligent cloud brain, the community platform mid-brain, and the citizen terminal small brain. Combining the government service platform and the residents’ participation in the autonomy, it will address the contradictory ills of "three skins" of community committees, property committees and property companies, and improve the shortcomings of insufficient community governance, poor space utilization and inefficient living services by digitizing community data, intelligent management and refinement of services.

Third, Promote the transformation of residents ‘lifestyles.

It should change from way of" high-carbon intensive " to " green sharing ". It needs a comprehensive multi-functional coordinated integrated energy-saving mechanism, graded and classified low-carbon recycling means, and integrated energy resource services to create a low-carbon community of the future.By encouraging the use of green materials, energy-saving energy, and resource recycling, the concept of green and low-carbon will run through the production and life of

the community, thus forming a lifestyle of diversified community participation in green practices to create a green community.



Figure 3. Wenzhou Lucheng District Fudong " future community " rendering (Photo source: Internet)

7. Implications of Zhejiang's " future community " practice on the business transformation of state-owned enterprises.

General Secretary Xi Jinping said that the people's aspiration for a better life is our goal of struggle. The community is the smallest unit of the urban fabric, which not only carries the people's demand for a better life but also is the grassroots platform for urban management. City investment class state-owned enterprises are generally the main investment body of urban infrastructure construction, responsible for the construction of local cities, and their business transformation should be changed from a platform company mainly for financing and construction to a comprehensive urban operation service body integrating financing, investment, construction, operation, and service.

The practice of creating " Future Communities " is the basis of promotion in Zhejiang Province and even nationwide, and is the future trend of real estate development, as well as an opportunity for urban investment state-owned enterprises in the process of transformation and development, bringing three major revelations to their business transformation.

(1) A new shift in the cooperation model.

The creation of future communities is an important way to modernize cities with high quality, and there is no typical model to learn from. For example, the strategic cooperation between Wenzhou City and China Communications Group on the construction of " future communities " is a new direction and exploration of new models of cooperation between central enterprises and local communities in the new era, which will jointly create a new model of cooperation between the central government and local communities. This also provides a new idea for the business transformation and

development of SOEs, namely the cooperation between the central government and the local community.

Central and local cooperation, marketing business to government, seeking " co-creation business model ". The concept of central-local cooperation is obviously not new, but in the new era, central-local cooperation has changed from simple cooperation with " funds " and " projects " in the past to all-around strategic cooperation. The " co-creation business model " means that central enterprises and local enterprises make full use of their advantageous resources to carry out a scientific and reasonable industrial division of labor and create a new brand form and marketing method. On the one hand, local enterprises can enhance their own visibility and reputation and improve the core competitiveness of their brands with the economic strength and industry control of central enterprises. On the other hand, the cooperation between the central government and local enterprises can make use of the resources and platforms of local enterprises, fully consider the local consumers ' " local feelings ", retain local characteristics, and make it easier to penetrate the local market.

In the process of cooperation, SOEs should pay more attention to the in-depth cooperation in technology, talents, and industrial support, instead of focusing only on the capital brought by the central enterprises, and improve their own endogenous growth power and reserve development strength by upgrading and enriching the high-end elements and continuously learning and absorbing to strengthen. In addition, with the strategy of " marketing government " as the entry point, and against the background of the new requirements of urban development, we can make use of the rich experience of central enterprises in capital operation and project management to make articles under the demand point of " urban operation service " of the government and reach a win-win situation.

(2) The new business formed into business.

In order to adapt to the latest land policy and obtain corresponding support preferences, we should change the concept of land integration, from " raw land " to " ripe land " to revitalize idle land and marginal land, and develop the stock of properties with cultural creativity, science and technology service industry, and "Internet+ " and other integrated development. Therefore, the pre-burial planning of water, electricity, gas and other pipes and pipelines is done at the beginning of land development, and the infrastructure related to energy, transportation, post and telecommunications, water supply and drainage, and environmental protection needed for production and living is placed underground to improve land utilization and form a virtuous cycle of comprehensive development and utilization of the stock of land. In addition, comprehensive consideration is given to the harmony of infrastructure and public service facilities in the region. Thus, the concept of land integration is transformed, idle land and marginal land are revitalized, and the development of the stock property is integrated with cultural creativity, technology service industry, and "Internet+ ".

(3) The new concept of business development.

First of all, keep the original intention and the " people-oriented " heart.

Land development and construction should always follow the principle of " people-oriented ", taking up the social responsibility for City Investment Group, integrating " humanistic value " into land development and construction, and be a " state-owned enterprise brand " with temperature.

Second, the operation and management mechanism are changing from single to combination.

Building management, property management, and asset management should rely on "platform plus service", smart technology, digital economy, and market allocation of resources, to a combination of "life service platform operator and professional service provider" service transactions mechanism transformation.

Third, project planning needs to apply innovative TOD practices.

The old system and thinking of spatial development, land and project planning need to be broken, so as to explore the use of "transportation +", to innovate the TOD model based on bus road distribution or rail transit stations, to promote the intensive and open use of land.

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