Development of the Private and State-owned Logistics Enterprises in China -
*Case study in GREE and CHINATRANS*

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Abstract

The purpose of this thesis is to examine the current status and development of the private and state-owned Third-party Logistics (3PL) companies. In China, there are mainly two common kinds of ownerships, one is state ownership, and the other is private ownership. These two forms of ownerships have enormous influence in various industries. The state-owned company GREE and private company CHINATRANS are taken as the case study in this thesis. The management systems of these two companies are analyzed by interviewing their managers. Furthermore, an innovation assessment tool is used to examine the innovative performance for these two companies. The return on investment model is also used to compare on the financial problem. Based on the analysis of management, cost and innovation aspect in GREE and CHINATRANS, the pattern of different ownerships affecting 3PL companies is identified. The conclusions of this thesis are:

- The private Third-party Logistics companies have a more flexible management system than the state-owned Third-party Logistics companies. Moreover, the private Third-party Logistics companies have a good performance on cost management and human resource. The core-competitiveness for them shows in the grasp of the market.

- The state-owned Third-party Logistics companies have a strict management system; they have advantage of innovation management, especially for new technology development. Excellent service is their core competence.

- Nowadays, Chinese third-party logistics industry has a low ROI, but still has a large space for 3PL to improve. Through the case study of GREE and CHINATRANS, value-added services and low cost operation are effective approaches to increase ROI.
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1. Introduction

It has been 60 years of development after the People's Republic of China was found in 1949. Though China has become the world's third-largest economy, it is still a socialism country led by the Chinese Communist Party. There are some differences from majority of countries in some respects with its national economic system.

China's early economic system was a planned economic system that means there were only state-ownership and public ownership. The long-planned economic system impeded China's economic development, which reduces social productive forces. In order to change this situation, in the late 70s of last century, China started the reform and opening-up policy to the world (Zhang, 2006). On December 5, 1986, the PRC State Council introduced a new policy “a number of provisions about deepening enterprise reform and enhance the vitality of enterprises.” The new policy proposed by small state-owned businesses could actively try tenancy or contract operation. Large and medium state-owned enterprises should ensure responsibility of management systems into practice. It can choose a minority of large and medium state-owned enterprises which own qualification to perform joint-stock pilot method. Consequently, the private ownership, joint-stock and other forms of ownership began to appear in China.

After reform and opening up 30 years of development, the state ownership and private ownership of business have spread over the whole China, which has become basis of China's market economy. However, due to the essential difference in ownership of means of production (MoP) between the state-ownership and private-ownership, that often makes many differences in the state-owned enterprises and private enterprise of same type and scale, in development of roads, development speed and direction of development. There are some advantages and disadvantages for both the private and state-owned enterprises in different aspects (Jiang and Prater, 2000). For example, in high-tech industries, because of tough competition, it is observed that the state-owned enterprises had absolute advantages. Therefore in this kind of industries, the state-owned enterprises are better than the private-ownership enterprises in the competitiveness and development prospects. In processing industries, the private enterprises have absolute advantages. There are also other industries where the private ownership enterprises are better than the state-owned enterprises; they are more competitive (Zhang, 2007).

The predecessors of China’s logistics enterprises are warehousing and transportation business enterprises with a relatively long history. The modern logistics enterprise
development model is still at an exploratory stage. Mostly, it is hard to predict at this stage how the China's logistics industries will be developed further. Due to the Chinese special political, cultural and economic background, the Chinese logistics enterprises have been more and more interesting for Chinese scholars and managers of 3PL enterprises.

This study focuses on how the state and private ownership forms affect China logistics industry in the future, and which ownership may be more superior in logistics industry. In this thesis, the CHINATRANS International Logistics (Shenzhen) Co., Ltd and GREE Logistics Company are used as the cases for the study. CHINATRANS is a private enterprise and GREE is a state-owned. They can be viewed as the representatives of these two different ownerships currently in China.

**2. Purpose**

The purpose of this thesis is to examine the current status and development of the POEs and SOEs in mainland China. In order to explore the answer to the purpose, there are three research questions of this thesis:

1. What are the differences of the management systems between the two type ownership TPL companies?
2. Are there any differences in cost management between the two type ownership TPL companies?
3. How the innovation of technologies should be managed in the two type ownership TPL companies?

**3. Methodology**

**3.1 Research approach**

At the beginning of the research raises an important question concerning the design of research project. It should consider which approach will be used, a qualitative approach or the quantitative approach. The distinction between qualitative approach and quantitative approach is based mainly on the kind of information used to study a phenomenon. As their names suggest quantitative studies rely on quantitative information (i.e. numbers and figures), while qualitative studies base their accounts on quantitative information (i.e. words, sentences and narratives) (Evert G. 2000).
In this thesis, both of qualitative approaches and quantitative approaches were used to do the research. In order to understand what is the status of the private Third-part logistics companies and the state-owned Third-part logistics companies in mainland china, the figure and table can be used to illustrate. However, qualitative approach and case studies provide powerful tools for research in management and business subjects (Evert G. 2000). So, the better way is to use the both approaches.

3.2 Data collection

When the research question has been formalized, the process of gathering information from respondents may begin. As been known that there are many research techniques, so there are many methods (William G.1997). Survey research depends on the process of sampling and on asking questions, through questionnaires, interviews or observations (Nicholas W. 2005). That’s the primary data. In this thesis, the questionnaire and interview method was used. A face-to face interview was held to Xiao Yongliang which is the department manager in CHINATRANS. Then we also interviewed Zhuhai GREE Human Resources Manager Miss Lu Mengjun.

As a method of data collection, the questionnaire is a very flexible tool, but it must be used carefully in order to fulfill the requirements of a particular piece of research (Nicholas W. 2005). According to the innovation assessment tool and cost management model the questions was formulated to the interviewees. Furthermore, the basis information from the company’s website was searched as a second data. In the case of the research the amount of relevant secondary data about the companies was limited; therefore the research had to mainly reply on primary data.

3.3 Analysis of Data

Little sense can be made of huge collection of data; therefore an essential part of research is the analysis of the data (Nicholas W. 2005). A large variety of methods is employed to carry out these processes. The more common are to use quantitative and qualitative analysis. Quantitative analysis uses the syntax of mathematical operations to investigate the properties of data (Nicholas W. 2005). The major analysis approach is quantitative approach. In this thesis, innovation theories and innovation assessment method was used to examine the innovative performance in these two companies. In order to compare with the financial problem, return on investment model was used. The rest of the analysis, discussion and recommendation in thesis are based on the theories and literature reviews.
3.4 Limitation

In this thesis, only two companies were selected as case companies. Due to time limit and lack of resource, the interview are not enough for getting quantitative data during the research. Therefore, the conclusion is only based on the comparison of these two third-party logistics companies. In addition, both of these two case companies do not want to disclose their core data. So in this thesis, some of the key data will be replaced by an approximate value, the calculation results obtained by the final data will also be an approximate value.

3.5 Summary of the method

The method used in this thesis is illustrated in Figure 1.
Figure 1 Summary of the Method

Source: own

Research Approach

- Quantitative
- Qualitative

Data Collection

- Primary Data
  - Interview
  - Questionnaires
  - Observations
- Secondary Data

Analysis of Data

- Quantitative analysis
- Qualitative analysis

Preparing the interview:
1. Analyze the research problem
2. The structuring of the interview
3. Preparing the interview questions
4. Theoretical Framework

4.1 Value chain analysis

Manager must choose the strategies in line with their business’ particular strengths and the market situations the firm faces. Managers should also select enterprise strategies based on what the enterprise does that customers find valuable. This is Michael (1998) think what reason that managers should perform a value-chain analysis- the process of dividing a company’s activities into primary and support activities and identifying those that create value for customers.

![Value Chain Diagram]

**Figure 2 Primary and support activities** Source: Michel E. Porter, (1998)

From Figure 2 we can know that value-chain analysis divides a company’s activities into primary activities and support activities that are central to creating customer value. Primary activities include inbound and outbound logistics, manufacturing (or operations), marketing and sales, and customer service. Primary activities involve the physical creation of the product, its marketing and delivery to buyers, and its after-sales support and service. Support activities include firm infrastructure, human resource management, technology development, and procurement. Each of these activities provides the inputs and infrastructure required by the primary activities.

Each primary and support activity is a source of strength or weakness for an enterprise. Managers determine whether each activity enhance or detracts from customer value, and they incorporate this knowledge into the strategy-formulate process. Analysis of
primary and support activities often involves finding activities in which improvements can be made with large benefits.

Primary activities

When manager analyzing primary activities, manager often look for areas in which the company can increase the value provided to its customers.

Support activities

Support activities assist companies in performing their primary activities. Each of these activities provides the inputs and infrastructure required by the primary (John J. et al., 2010).

4.2 Definition of innovation and Logistics innovation

The acts of innovation are a significant factor for the companies to achieve competitive advantage, especially for the logistics innovation, which is positively related to the competitive advantage of a firm. According to Drucker (1985), innovation can be defined as the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service. It is capable of being presented as a discipline, capable of being learned, and capable of being practiced. Also, Afuah (1998) pointed out that innovation is the use of new technical and administrative knowledge to offer a new product or service to customer. Betz (1997) assumed that innovation is to introduce a new or improved product, process, or services into the marketplace. As a result, innovation has been widely defined as the process of creating a new idea, practice or object which is perceived by an individual or other unit of adoption.

Logistic innovation can be referred as the logistics-related service which is regarded as new and helpful to the focal audience and it can be basically applied to internal operations or services with business partners (Flint et al., 2005). The successful improvement of an enterprise’s technological innovation is very significant, because it affects the survival of an enterprise in the age of knowledge-based economy. A great number of studies can be fined that adopting technological is the most important tool for enterprise to keep their competitive advantage (Kimberly and Evanisko, 1981; Damanpour and Evan, 1984). Chapman et al. (2003) suggested that the technology, knowledge and relationship network can help to implement the logistics innovation in logistics.
4.3 Theoretical applications to logistics innovation

There is no single theory of innovation can be used to explain how innovation occurred or its internal and external consequences (Scott J. Grawe, 2009). The process of building theories relies on previous literature; theory is developed through incremental testing and extension (Kuhn, 1970). So some theories can be considered by logistics in order to help explain and understand innovation in the logistics context.

There are a lot of researchers doing the research on the determinants or influencing factors on innovation. Innovation has been addressed in many contexts outside of the logistics literature. As a result, it can be seen from those studies, the theoretical development should be considered in logistics innovation. The theoretical framework is revealed as shown below:

- The knowledge-based view of the firm centers on knowledge as the most important resource of the firm. The uniqueness of a firm’s knowledge is fundamental in the firm’s ability to develop a sustained competitive advantage (Grant, 1996; Turner and Makhijia, 2006).
- The dynamic capabilities framework examines the sources of wealth creation and capture by firms in an environment characterized by rapid technological change (Teece et al., 1997). Innovation including new product and service development which can be characterized as a dynamic capability (Eisenhardt and Martin, 2000).
- The Schumpeterian innovation framework considers the impact of firm size and available resources on firm innovation (Schumpeterian, 1942). Schumpeter’s point of view is that large firms have greater capacity to innovate due to greater market power and research and financial support.
- The network theory framework in concerned with variables such as position, power and density (Dhanaraj and Parkhe, 2006; Granovetter, 1985; Thorelli, 1986). Network theory research has considered the roles associated with each firm in a network and the resulting impact on innovation (Dhanaraj and Parkhe, 2006).
- As proposed by Hunt and Morgan (1996), innovation plays a key role in resource-advantage theory. According to resource-advantage theory, firms seek to use their resource to gain a competitive advantage in the market. Resources including a firm’s assets, processes, information, and knowledge that help a firm improve efficiency and effectiveness (Barney, 1991). Firms will innovate to improve their resource position. Firms occupying positions of competitive advantage can maintain such positions by engaging in proactive innovation to ensure that their resources are comparatively better than the resources of
Based on the information shown, there are some factors which affecting the innovation in technologies. The adoption of innovation can be influenced by the certain features of an organization’s structure, climates and culture. In this thesis, it only need to concern on the technological innovation from the macro perspective. There are two main factors, which can be classified into internal factor and external factor respect to a firm. We can use the return on investment model to compare with financial problem.

**Internal Factor**

Amabile (1998) pointed out that the innovation can be improved by the help of management skills, organizational encouragement for innovation and the support of innovation resource. Tornatzky and Fleischer (1990) suggested that if the linkages and communication among the employees is informal, would significantly affect the adoption of innovation. Also, the quality of human resource, top management’s leadership behavior and the amount of internal slack resources would have significant influence as well. Hence, the internal factors are including organizational encouragement and quality of human resource. These factors can affect the innovation in logistic technologies for logistics service providers.

**External Factor**

The innovative capability of a firm will be influenced by the external environment while the firm conducts its business (King and Anderson, 1995). Scupola (2003) pointed out that the external environment, which includes pressure from both competitors and government may influence the adoption of internet commerce by small and medium size enterprises. According to Damanpor (1991), it can be found that the environment with higher uncertainties may affect the relationship between organizational structures and organization innovation in a positive way. It also can be known that a firm’s incentive to adopt new technologies would be affected if demand uncertainty occurs. Furthermore, there another significant factor that influences technological innovation is government support. Through the regulation, the government has the right to encourage or discourage the adoption of innovation (Tornatzky and Fleischer, 1990). As a result, the innovation in logistics technologies for logistics service providers will be affected by the external factors, which includes environmental uncertainty and governmental support. It can also be explained as the technologies innovation would be influenced significantly by the pressure from competitors and role of government.
The research framework of this thesis is shown below:

**Figure 3 Innovation research frameworks**

**4.4 Return on investment (ROI)**

Today's unstable business environment has created an ever larger awareness amongst managers of the financial aspect of decision making. One of the financial aspects to decision making is resource utilization and specially the use of fixed and working funds. The pressure in most organizations is to advance the efficiency of capital-'to make the assets work hard'. In this regard it is usual to use the concept of return on investment (ROI) (Christopher M., 2005). Return on investment is the ratio between the net profit and the capital that was employed to produce that profit, thus:

\[
\text{ROI} = \frac{\text{Profit}}{\text{Capital employed}}
\]

This ratio can be further expanded

\[
\text{ROI} = \frac{\text{Profit} \div \text{Sales}}{\text{Sales} \div \text{Capital employed}}
\]

It will be seen that ROI is the product of two ratios: the first, profit/sales, being commonly referred to as the margin and the second, sales/capital employed, termed capital turnover or asset turn. Thus to gain improvement on ROI one or other, or both, of these ratios must increase. Typically many companies will focus their main attention on the margin in their attempt to drive up ROI, yet it can often be more effective to use the leverage on improved capital turnover to boost ROI. For example many successful retailers have long since recognized that very small net margins can lead to excellent ROI if the productivity of capital is high, e.g. limited inventory, high sales per square foot, premises that are leased rather than owned and so on (Christopher M., 2005).
Figure 4 illustrates the opportunities that exist for boosting ROI through either achieving better margins or higher assets turns or both.

![Graph showing the relationship between sales/capital employed (asset turn) and profit/sales (margin).](image)

**Figure 4** *The impact of margin and asset turn on ROI*
Source: Christopher M., 2005

The ways in which logistics management can impact on ROI are many and varied. Figure 5 highlights the major elements determining ROI and the potential for improvement through more effective logistics management.
Logistics has dramatically evolved from a supportive role characterized as passive and cost absorbing, to a primary role and critical factor in competitive advantage (Sum et al., 1999). Companies experiencing growing pressure to reduce costs and provide better service can improve their logistics by outsourcing to third-party logistics (3PL) firms, an option that can improve both efficiency and effectiveness (Sum et al., 2001).

Logistics outsourcing has become a rapidly expanding source of competitive advantage and logistics cost savings (Rabinovich et al., 1999), with the 3PL industry growing rapidly at impressive rates, 17 percent in 2001 and 11 percent in 2002 (Lieb, 2002). In a survey of the 500 largest USA companies in 2004, Lieb and Bentz (2005)
reported that, of the 13 percent that replied, 80 percent indicated that their companies used 3PL services.

The 3PL involves the use of external companies to perform some or all of the logistics activities that have traditionally been performed within an organization (Lieb et al., 1993; Bhatnagar et al., 1999; Coyle et al., 1996). 3PL firms can provide improved inventory and lead time performance while concurrently capturing economies of scale resulting from the higher volumes obtained by aggregating demand across a large number of customers. China’s accession to the World Trade Organization (WTO) since December 11, 2001 sets China’s logistics industry to grow even faster, bringing tremendous opportunities, as well as intense competitive challenges from global players. The increased competition in mainland China’s logistics industry has forced many 3PL providers to review their strategies and how they propose to give value to their clients (Qiang Wang et al., 1995).

The literature on logistics has deal mostly with managing logistics activities from the outlook of the logistics users (Yeung et al., 2006, Sum and Teo, 1999). Studies that directly address logistics service providers are very limited. Two notable exceptions are a study of the strategic posture of Singapore’s 3PL providers (Sum and Teo, 1999), and one examining the strategic posture of 3PL providers in Hong Kong (Yeung et al., 2006). Our study contributes to the literature with the third case, mainland China, a booming and immense logistics market.

Lieb and colleagues have studied the outsourcing of logistics activities among the USA’s largest companies (Lieb, 1992; Lieb and Bentz, 2004, 2005). Their findings indicate a growing use of 3PL services among USA companies both domestically and in their China operations. Outsourcing logistics activities to specialized 3PL firms can help increase the efficiency and effectiveness of a company’s logistics function (Vowles, 1995; Christopher, 1993), reflecting companies’ desire to reduce operating costs while simultaneously improving customer service (Aertsen et al., 1993), and flexibility (Muller, 1992; Bence, 1995). As a consequence, some firms experience 30-40 percent reductions in logistics costs and greatly streamline global logistics processes (Lieb et al., 1993).

Outsourcing allows companies to concentrate more closely on the core activities that are critical to their competitive edge, leaving the rest to specialist 3PL firms (Bhatnagar et al., 1999; Troyer and Cooper, 1995) which are skilled in leveraging technology, technical expertise, and computerized systems (Trunick, 1989; Watson
and Pitt, 1989). This reduces the complexity of a company’s logistics operations (Bradley, 1995), and their need for logistics related capital investment in facilities, equipment, and information technology (Richardson, 1992, 1995; Lacity et al., 1995). The logistics strategies should integrate with business strategies (LaLonde and Masters, 1994) in order to reduce operational costs and improve customer service (Christopher, 1989), which will enable companies to realize the full potential of their value-added activities and to gain significant competitive advantage over their competitors (Richardson, 1995).

The logistics strategies adopted by 3PL providers have been studied by Berglund et al. (1999). In their study, 3PL providers were divided into four segments according to if they offered services or solutions to the customers, and if they provided value-added or basic logistics. They found that the 3PL providers that focused on basic services mainly created value through improving operational efficiency, while the 3PL providers that emphasized providing solutions tended to create value through vertical or horizontal integration. They pointed out that companies must make a strategic choice of market segment based on their capabilities, and develop or enhance their key competencies accordingly, amongst logistics providers, Yeung et al. (2006) and Sum and Teo (1999).

The economic growth and huge market potential of China has attracted not only business attention, but also a growing amount of academic interest, although research on China’s logistics is very rare. Peng et al. (2001) reported no comprehensive studies of logistics in China up to 2001, and our comprehensive search of the literature revealed few additional studies on China’s logistics. Not surprisingly, authors have examined the challenges that China faces in developing logistics to meet the growing demand (Carter et al., 1997; Daly and Cui, 2003) addressing specifically transportation, telecommunication, customs, and warehousing (Goh and Ling, 2003), and concerns of foreign firms in China (Ta et al., 2000). Chen et al. (2004) examined the current status and future prospects of Chinese manufacturers’ usage of 3PLs service, from a logistics user’s outsourcing perspective. The historical structure of distribution and logistics in China in relation to current problems and future prospects has also been addressed (Jiang and Prater, 2002). To the best of our knowledge, there have been no studies conducted that directly address logistics providers in mainland China.

Since the founding of PRC, China's logistics development of enterprises can be broadly divided into four stages: The first stage is the traditional storage and transport

International practice, the state-owned enterprises only refer to a country's central government or the federal government direct invest or participate to control of the enterprise; while in China, the state-owned enterprises also include local government invest and participate to control’s enterprise. Government’s request and benefit decide SOEs’ action. China's state-owned enterprises mean that all of the assets owned by the state, according to "The People's Republic of China Enterprise Legal Person Registration Regulations” registered economic organization. SOEs’ rent ability reflects the preservation and augment of state assets. The SOEs’ commonweal show in the state establishes state-owned enterprises are usually in order to achieve the national goal of regulating. State-owned enterprises have a certain amount of administrative nature (Zhang, 2006).

Privately-owned enterprise refers to a business that is owned by private investors, shareholders or owners. The act of taking assets into the private sector is referred to as privatization. The goal of private enterprise differs from other institutions, the major difference being private businesses exist solely to generate profit for the owners or shareholders (David, 2005).

6. Empirical Finding

6.1 Background of Zhuhai GREE Logistics

GREE Logistic Company, founded in 2000, went into its operational phase in January 2002. And it is the only third-party logistics company in Zhuhai with a public bonded warehouse, export supervision warehouse and two modern warehouses.

In July 2007, in order to enhance the overall development of Zhuhai, to improve the overall strength of the logistics industry and better serving the local economy, GREE Group, a wholly-owned holding company official, changed its name to Zhuhai GREE Logistics Co., Ltd.

The company covers more than 20 thousands square meters in modern logistics distribution centers, providing bonded warehousing, quality inspection, line
distribution, cross-border logistics, import and export agent, international freight forwarding and other services.

We have interviewed Zhuhai GREE Human Resources Manager Miss Lu Mengjun

6.2 Background of CHINATRANS

CHINATRANS was founded in 1995 and headquartered in Shenzhen China with more than 1000 staffs. CHINATRANS has established 28 sole ownership branch offices at major China’s ports, Southwest China and Central China, Hong Kong, Vietnam, Singapore, Thailand, Philippines, Malaysia and other places around the world as well as worldwide agent network.

As one of prime Non-vessel Operating Common Carrier (NVOCC), besides providing traditional services for Booking, Warehousing, Transportation, Transshipment, Global Consolidation, FCL, Air shipment, Express, Customs Brokerage, Inspection, Insurance and International Transportation Distribution, CHIANTRANS also offer supply chain management and financial circulation service through advanced Supply & Information interaction System. As one of the major logistics providers in China, CHIANTRANS are constantly searching for the most suitable supply chain solution to customers. Guided by customer’s priority, CHINATRANS is creating new opportunities based on her distinction in quality service, professional knowledge and operational models.

6.3 Manager and Management system

The same as most China state-owned enterprises, Zhuhai GREE managers have a high degree, prior to the formal act as business managers. They have received systematic education, and have a grass-roots work experience in the enterprise. And CHIANTRANS as a private enterprise also has many experiences in management system which may help them grow quickly. In order to have a deep understanding of their management system and types of their management methods, here we had the some questions to Miss Lu, a manager in GREE, and Mr. Xiao, a manager in CHIANTRANS. The questions and answers are noted below.

Q1. What is the most important for your company? Why?

Miss Lu said “I think the most important for the Zhuhai GREE is the information systems and human resources, as well as the understanding and application of import and export policies and regulations”. This is because Zhuhai GREE is mainly dealing with Bonded Logistics. “Bonded Logistics is based on the customs policy, which is
the fundamental action of our business. Information systems can improve the efficiency and accuracy, to provide customers with more professional and transparent services. Talent is the fundamental business operation, talented people are needed in all activities, so businesses need to promote to attract talent and retain talent.”

Mr. Xiao replied: “Firstly, we think the most important thing of all in our company, is the financial safety with our delivery agent in destination. It is vital for us to establish goodwill both with the Shipper and the Consignee. Secondly, efficient team work going through our running business is also crucial to make sure that every target is met and work is done in a systematical way. These are also what our long-term stable management rests on.”

Q2. How can you ensure that your company's efficient operation?

Miss Lu: I think that the high efficiency of the system in general is reflected in the efficiency of the IT and personnel.

From the IT system, we have a progressive development and continuous improvement of R & D team. Our own R & D can meet with company's business requirements and customer requirements of IT systems, and continuously upgrade versions. In addition, from the employee productivity point of view, we emphasize the refinement of the work of management. We try to carry out data analysis for each department, especially for the department which is responsible for direct business operation. Based on the data analysis, we can provide theoretical support for human resources distribution, in order to make clear the personal saturation degree of workforce and task position.

Mr. Xiao: We ensure the company’s efficient operation by Sales Promotion. Customers are our valuable assets. We are trying our best to make sure all activities in sales to be well done enough to meet their needs and to satisfy their demands. They then in return generate profit for keeping our company going forward.

In view of this, we put much emphasis on qualified customer service. Through our high qualified customer service, we establish goodwill with our clients and the long term sustainable development of our company. We count on the harmonious relationship with our loyal clients.

Q3. Linkages and synergies among the various departments in a business are very important. However, in some enterprises, there might be some problems in the linkages among the various departments. Teamwork might not be very smooth, resulting in lower overall operational efficiency of enterprises. What approach will you use to ensure that the various departments have always been very close?
Miss Lu: Our company has a regular session every week. Each department manager will participate the meeting and a lot of cross-department co-operation can be discussed. At the same time, there are also regular meetings in the business operations department and between business operations departments and business departments. In addition, for each customer or each project, we will set up a project implementation team like a temporary organization; there are representatives from various departments attended. This also ensures that the working relationship among departments is smooth.”

Mr. Xiao: In various Departments, we employ the SOP (standard operation procedure) which everyone gets a code to rely on. It is to make sure everyone well notes what should be done and what should not be done.

Communication can ensure everyone shares good experience with each other. What is more, the weekly meeting of different departments also makes sure everything to be well coordinated enough, no matter complaint or encouragement.

For example: As you know, for LCL, we need to release shipping space for our customers within 20 minutes upon booking place. Sometimes we cannot release space in due time somehow. This tends to cause some clients making complain to us. And our solutions are below:

1. Our customer service would explain patiently to customers of what is going on and when they can expect for the space released. Surely, a sincere apologize to client is available as well.

2. Meanwhile, our sales representative would make sure to the clients that we had paid great attention on this issue, and will solve it as soon as possible.

3. At weekly meeting, the managers both in sales department and customer service department would sit down at the same table to recall all the possibilities which might delays space released, and to figure out the good solution to prevent such unfortunate matter happening again.

We are running a coordinated job in this way.

Q4. What methods are usually used to regulate or constrain employees’ behaviors?

Miss Lu: First, we will give work instruction and job requirements to our employees; we have introduced the ISO standards system certification. Especially for some specific operational work, we have standard operating procedures and operating instructions.
Second, there will be penalties of company-level and departmental-level system. And the Company's various rules and regulations may help to constrain the staff.”

Mr. Xiao: As far as I am concerned, the best way to ensure self-discipline in all the staff at every atmosphere is to develop a positive motivation culture in the company to encourage staff to do every single work to the best of their ability. Imposing proper regulation in management channel is of equal importance when it comes to regulating and constraining employee’s behaviors.

Q5. What methods are usually used to encourage your employees?

Miss Lu: The most common method is verbal or written praise for outstanding employees in recognition of the contribution. For the outstanding performance of staff, we carry out a special training, providing more opportunities for learning and job rotation, so that employees would feel themselves masters of the company.

Mr. Xiao: The manager should cultivate mutual understanding by developing good communication with the staff. Staffs are encouraged to raise any suggestions or ideas in an attempt to improve the on-going business practice. They are also rewarded by bringing innovation to the company.

Q6. Advanced technology and knowledge may be able to help companies to gain more advantages than the opponent in a competitive process. In your company, is there such an example?

Miss Lu: Our main advantage is the understanding of customs policies and the use of information systems.

Mr. Xiao: We are proud of getting a team working for our company who is the expert in marine business law. This team can make sure every part in our operating to be done legally and can gain advantage in settling the case in dispute amicably. Then we always focus on IT System and some instant message software in order to make each department have a fluent communication.

Q7. Compared to the private third-party logistics company, what is the advantage and obstacle of the state-owned to the third-party logistics companies?

Miss Lu: We have advantages of brand, financial support, credibility, and preciseness in management. As to disadvantages, I have no idea so far.

*Compared to the state-owned third-party logistics company, what is the advantage and obstacle of the private third-party logistics companies?*
Mr. Xiao: The advantage of private company is the clear classification of ownership. It brings in flexibility and helps improve the efficiency to some tedious and routine working situations. However, the disadvantage of that is the lack of financial support to expand business. There is no difference when it comes to the method of management.

6.4 Innovation Management

This simple assessment tool focuses attention on the internal and external factors of innovation management. The content is based on Lin’s factors of affecting innovation model. The internal factors are including organizational encouragement and quality of human resource. The external factors are including environmental uncertainty and governmental support. This method is used to measure the performance of CHIANTRANS and GREE in their innovation management. A score among 1 (= not true at all) to 7 (=very true) is adopted to assess the statement simply. The different scores were made from group discussion. The results are based on some search information, the questionnaires and interviews of both companies. Finally, an average score for each dimension is given in the figures below.

<table>
<thead>
<tr>
<th>Statement (CHIANTRANS)</th>
<th>Score1 =not true at all to 7=quite true</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational encouragement</strong></td>
<td></td>
</tr>
<tr>
<td>Company provides support for employees to learn new information</td>
<td>5</td>
</tr>
<tr>
<td>Company provides rewards for innovation employees</td>
<td>3</td>
</tr>
<tr>
<td>Company’s leaders can help employees when they face new problems</td>
<td>4</td>
</tr>
<tr>
<td>Company has precise innovation strategies</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total (Score)/ by N= (Avg.)</strong></td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Quality of human resources</strong></td>
<td></td>
</tr>
<tr>
<td>Employees can learn new technologies easily</td>
<td>4</td>
</tr>
<tr>
<td>Employees have abilities to use technologies to solve problem</td>
<td>4</td>
</tr>
<tr>
<td>Employees can share knowledge with each others</td>
<td>6</td>
</tr>
<tr>
<td>Employees usually provide new ideas for company</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total (Score)/ by N= (Avg.)</strong></td>
<td>4.5</td>
</tr>
</tbody>
</table>

**Governmental support**

| Government provides financial support for the development of logistics technologies | 4 |
| Government relieves the regulation to the logistics industry | 5 |
| Government helps training manpower with logistics skills | 3 |
| Government encourages company to propose projects of logistics technologies | 6 |
| **Total (Score)/ by N= (Avg.)** | 4.5 |

**Environmental uncertainty**

| Customer’s requirements vary quickly | 5 |
| Customer’s requirements are diversified | 5 |
| The advance in new logistics technologies quickly | 6 |
| Competitors usually provide new logistics services | 6 |
| **Total (Score)/ by N= (Avg.)** | 5.5 |

**Figure 6** *Innovation Management assessment for CHINATRANS*

Source: Group Discussion

<table>
<thead>
<tr>
<th>Statement (GREE)</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score 1 = not true at all to 7 = very true</td>
<td></td>
</tr>
</tbody>
</table>

**Organizational encouragement**

<p>| Company provides support for employees to learn new information | 6 |
| Company provides rewards for innovation employees | 5 |</p>
<table>
<thead>
<tr>
<th></th>
<th>Score</th>
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</tr>
<tr>
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</tr>
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<td>5</td>
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<tr>
<td><strong>Total (Score) / by N= (Avg.)</strong></td>
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<tr>
<td><strong>Governmental support</strong></td>
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</tr>
<tr>
<td>Government encourages company to propose projects of logistics technologies</td>
<td>5</td>
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<td><strong>Total (Score) / by N= (Avg.)</strong></td>
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<tr>
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<tr>
<td>Customer’s requirements are diversified</td>
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</tr>
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<td>Competitors usually provide new logistics services</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total (Score) / by N= (Avg.)</strong></td>
<td>4.75</td>
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</tbody>
</table>

**Figure 7 Innovation Management assessment for GREE**

Source: Group Discussion

From the Figure 6 & 7, we can see both of them are serious on innovation management. But they focus on different aspects. GREE pays more attention on internal factors while CHINATRANS focuses on external factors.
6.5 Cost Management

![Pie charts showing the capital employed of GREE and CHINTRAN]

**Figure 8 Capital employed of GREE and CHINTRAN**

Source: Own

Due to the commercial secrets, the two companies can only provide percentage of various data. According to the data, Figure 8 is present to show the proportion of funds. The fixed assets of GREE take over 69% of the annual operating expenses, while cash expenditures just occupy 12%; account payable takes up 19% of capital employed. Fixed assets of CHINTRAN possess 59% of capital employed; moreover, cash takes over 10%, and account payable 31%. The fixed asset represents all the fixed assets which are owned by the two companies, excluding land and land value added. Cash stands for total fees which are paid by cash. Account payable includes bank transfer, credit mortgage, loan interest and repayment of deferred payments form of non-cash expense.
Figure 9 Cost and sales revenue of GREE and CHINATRANS

Source: Own

Cost= sales revenue + account payable + fixed asset depreciation

According to the straight-line method of assets depreciation, durable years of warehouses and other buildings are more than fifty years. The transport team and some mechanical service life are about 10-15 years. The annual depreciation rate of assets is set to 3%. Hence, take Capital employed of the two companies as a reference, GREE cost is equal to 33.18%, and sales revenue is equivalent to 38.18. While CHINATRANS’ cost is equal to 42.77%, and sales revenue is equal to 47.92.

7. Analysis

7.1 Analysis of Management System

According to companies’ ownership to compartmentalize type of companies is a usual method in China. Particular economic environment and development history bring about the large differences between SOEs and POEs. In the past 30 years, the rising and subsiding history of SOEs and the high-speed developmental situation of POEs all give Chinese left a deep impression.
The differences between SOEs and POEs are essential. The ownership of the MoP will be vital for the final decision on the enterprise objectives and core competencies. According to the following analysis, it is found that based on the ownerships of MoP, there exist some differences between the management in SOEs and POEs.

Question 1

From this problem, we can find that managers of state-owned enterprises and private companies to focus on the enterprise management a huge difference. First, the state-owned enterprise managers recognize that the "customs policy," the understanding and use of proficiency is the most important. This view is obvious with the characteristics of state-owned enterprises. Namely, the state-owned enterprises tend to take advantage of the state-owned resources to productive activities.

Two other state-owned enterprises more emphasis on the content of information technology applications and personnel training, these two emphases are reflected among state-owned enterprises to create wealth for society other than the important duty, which is to accelerate the progress of social productive forces and speed. GREE has its own information technology R & D team to develop an independent information management system; such behavior makes GREE applications in the information technology an advantage over rivals. However, an independently developed information technology team will no doubt increase the company's long-term costs, lower corporate profits, many companies are not willing to make such investments, they are more often from the outside (such as foreign) to buy other companies to develop information systems. While this behavior can save costs and resources, but rely on imported technologies, will result in a lack of independence of enterprises, and if such an act spread to the entire industry, will result in China's logistics industry in the field of information technology has always lagged behind overseas logistics enterprises, so part of the state-owned enterprises to consciously assume the responsibilities of the development of information systems, as far as possible the improvement of China's logistics industry in the field of information technology, the weak position, while the development of information technology suitable for China's national conditions. The state-owned enterprises there are a hidden duty is to train more talents for society, so state-owned enterprises have also attached great importance to personnel training. The private sector is the main business purpose is profit; therefore, private enterprises pay more attention to how we can get more profits. Has a good reputation companies can often get more customers of all ages, the number of clients also determines the amount of profits.

Question 2
On how to ensure the efficient operation of the company this problem, private enterprises and state-owned enterprises difference of opinion leaders is even greater, and state-owned enterprises are still starting from the enterprise to improve efficiency in the use of information systems and staff to improve their overall efficiency as a the efficiency of the primary means. The private enterprise is more focus on customer service on the start, that is outside the enterprise as a breakthrough point, by enhancing customer service satisfaction, and stimulate the internal efficiency in the implementation.

Question 3

On how to strengthen the synergy between different sectors of the work of this problem, managers of private enterprises and state-owned enterprises to maintain a unified view is by strengthening the communication and a clear division of responsibilities of the ways to improve this problem.

Question 4

On the fourth question, the state-owned enterprise managers that the use of standard operating guidelines and a clear reward and punishment system is the effective way, they use ISO standard certification to regulate the operation of employees, with rewards and punishment system to motivate staff to avoid mistakes, which effective ways to strengthen the management of the enterprise employees to improve work efficiency. Shortcomings of this approach, however, always under supervision of staff position, not easy to increase employee motivation. The private ownership of business managers think that the formation of good work habits and business culture is an effective means of staff constraints, this kind of management ways to enhance the enthusiasm of the staff, to strengthen the enterprise culture in the minds of the role of employees, help to increase employee ownership of sense. However, the drawback of this approach is also evident, first, the lack of clear performance standards result in the quality of work difficult to achieve uniform standards. Second, the employee's performance depends on the staff's personal habits and cultural identity of the business, without good habits and a lack of recognition of the corporate culture, the result are to reduce the employee's work efficiency and quality. Third, the Chinese culture as an official-based culture, and business leaders of the personal thoughts often enterprises have a huge impact. The lack of supervision and standards for businesses, their corporate culture to be recognized degree depends on the leader's individual performance. Therefore, within the enterprise in such outstanding leadership determine whether the employees of the enterprise.

Question 5
In the fifth issue, the private enterprises and state-owned enterprises still have a relatively large difference. Reward state-owned enterprises are mainly spiritual rewards, that is, recognition, or to grant the title of outstanding employees, etc. Put the material incentives and private ownership of firms together the spiritual rewards. From this point of view, private enterprise for the employee reward system more attractive. Analysis of the reasons, as have state help, state-owned enterprises share capital advantage. But the state-owned enterprises as well as supervision by the State, the use of funds, and the high degree of freedom there is no private ownership of firms characteristics, state-owned enterprises often do not come up with a lot of funds for employee incentives. The private ownership of firms use the funds entirely from the business leaders in the decision can lead to employees according to their own circumstances providing a reasonable reward.

Question 6

In this issue, GREE and Chinese views of transportation to maintain a high degree of consensus, but from the implementation point of view, the advantages of a higher GREE possession and GREE mainly used within the power of the enterprise, while China shipped to seek external assistance.

Question 7

State-owned enterprises in China generally have a high credit guarantee, which is majority private ownership of enterprises cannot match. This is not to say that state-owned enterprises of service quality and good service is superior to private ownership of firms, there are many private ownership of firms in product quality and service levels as well as the overall strength is higher than the state-owned enterprises. But the state-owned enterprises is the country's businesses, easy access to public confidence, while state-owned enterprises, if there are problems in operation, the state will be responsible for errors arising due to loss of state-owned enterprises parties for compensation. At this point, the private enterprise is difficult to guarantee. In addition, the state-owned enterprises have a capital advantage, making state-owned enterprises need to expand production, increase investment in rare cases, cash-flow shortfalls. However, private enterprises, especially the newly developed small and medium sized private businesses are often subject to this problem. But the private ownership of firms there is also difficult to compare the advantages of state-owned enterprises, private businesses assign clear ownership of the means of production, high degree of freedom the use of funds, such as in the above mentioned system of incentives, the private enterprises through greater material rewards, you can attract more of personnel. Been a common practice in China is that, in the same companies for similar positions
on the wage level of employees of private ownership of firms than employees of state-owned enterprises as part of higher wage levels (one-third to one-half), which makes a lot of the work of young people willing to go to private enterprise.

Both of these two companies’ managers are well know what advantages they have and what situation they are facing.

<table>
<thead>
<tr>
<th>Firm infrastructure</th>
<th>CHINATRANS</th>
<th>CHINATAANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resource management</td>
<td>GREE</td>
<td>GREE</td>
</tr>
<tr>
<td>Technology development</td>
<td>GREE</td>
<td>GREE</td>
</tr>
<tr>
<td>procurement</td>
<td>CHINATRANS</td>
<td>CHINATRANS</td>
</tr>
<tr>
<td>Inbound logistics</td>
<td>GREE</td>
<td>CHINATRANS</td>
</tr>
<tr>
<td>operations</td>
<td>GREE</td>
<td>CHINATRANS</td>
</tr>
<tr>
<td>Outbound logistics</td>
<td>GREE</td>
<td>CHINATRANS</td>
</tr>
<tr>
<td>Marketing and sales</td>
<td>GREE</td>
<td>CHINATRANS</td>
</tr>
<tr>
<td>service</td>
<td>GREE</td>
<td>CHINATRANS</td>
</tr>
</tbody>
</table>

**Figure 10** Advantages of GREE and CHINATRANS on Primary and support activities

Source: own

They choose the strategy based on these advantages and situations. GERR’s primary activities are inbound logistics and outbound logistics and service. Support activity is technology development. CHINTRANS’ primary activities are operation and marketing and sales. Support activities are human resource management and procurement. According John and Kenneth and jerry’s theory about value chain (2010), primary activities belong to the basal ability, and support activities need these basal activities’ support. GREE is increasing develop logistics speed (through skilled use Chinese customs regulations to reduce time of pass custom) and develop add-value services to create more customers value. And they utilize the values created by the primary activity to support which is the information technology. What CHINATRANS treasures are the primary activities of the management of the company, the control of the market and sales? They create more custom values, which
can be introduced to human resources and purchasing, by lowering the cost and adjusting the service mode according to the custom demand.

Support activities must base on the primary activities; however, mature support activities can help to develop the primary activities. Just as Miss Lu’s speech, one of the main purposes of developing information technology is to increase the service level and service techniques, and to get more customs, which is an important direction of GREE. GREE’s core competitiveness is its information technology and service level. Mr. Xiao continuously emphasizes the high efficiency performance and the respect of market in their enterprise. They attract excellent talented persons and train them with the conception of team works, and treat with the changing market circumstances. They simulate their employees by external simulation, namely market stimulation, to keep the efficient performance. They make the best of the enterprise primary activities and support activities, and combine their advantages, to increase the core competitiveness of their enterprise.

7.2 Analysis of Innovation Management

Base on the result of Figure 6 and Figure 7, we made Figure 11 and Figure 12 which can clearly to know the strength and weakness of both companies and easily to make a comparison.

Figure 11 Map of innovation management assessment for CHIANTRANS
According to Figure 6 and Figure 11, we found that CHINATRANS get a high score in environmental uncertainty. To some extent improve their technologies innovation is influenced by external environment. They pay attention on the external factors, such as the customer’s requirements and competitors. Environments with high uncertainties would have positive influences on increasing incentive to adopt new technologies. This is one of the strength in their innovation management. However, they get a lower score in organization encouragement. The lowest score is about the strategies in innovation management. Company does not have precise innovation strategies. The aspect of organizational encouragement should be improved. What is more, they have a good performance of communication. Employees can share knowledge with each others. But in the governmental support aspect, it shows that governmental does not do much on financial support and help training logistics skills.

From Figure 7 and Figure 12, it shows that GREE gets a good score in every aspect. GREE has a better performance of organizational encouragement and government support. GREE provides support for employees to learn new information and provides rewards for innovation employees. Organizational encouragement can give employees motivation and support to adopt technological innovation. Government support is

**Figure 12** Map of innovation management assessment for GREE

Source: own
another important environmental characteristic for technological innovation. Government through regulation can encourage the adoption of innovation (Tornatzky and Fleischer, 1990). Government provides financial support to GREE for the development of logistics technologies and government encourages GREE to propose projects of logistics technologies.

Clearly show in Figure 11 and Figure 12, GREE did a better performance on organizational encouragement than CHINATRANS. It implies state-owned enterprises willing to cost in technologies innovation and employees training which might cause invest in long hours but low profits. In fact innovative logistics technologies will be helpful for logistics service provider to provide flexible logistics service to satisfy customers’ varying requirements in the future (Lin, 2007). It is worth Logistics Company investing in innovative logistics technologies. However, private enterprises focus on investor’s profit return. They are not willing to spend a lot of money on innovate a new logistics technologies. Furthermore, private enterprises lack of a systemic innovation strategy. They prefer to buy a logistics technologies system in order to save the cost of developing new technologies.

The aspect of environmental uncertainly CHINATRANS gets a higher score than GREE. It means that private enterprises pay more attention to market-oriented. The mobility of customer is high. And private enterprises use more flexible management model than state-owned Company. Market orientation is not such a big impact for the state-owned enterprises. State-owned enterprises’ customer base is more stable and can get more government support.

Whatever state-owned enterprises or private enterprises, both of them did a good job in human resources. Employees can learn new technologies easily and can share knowledge with each other. Organization provides a good atmosphere for employees learn and communicate.
7.3 Analysis of Cost Management

Figure 13 ROI of GREE
Source: Christopher M., 2005
According to the ROI model, Figure 13 and Figure 14 was made.

Profit = sales revenue - costs

The current logistics status of China is still on the way which from traditional warehousing and transportation industry to the modern logistics industry, so majority of Chinese third-party logistics companies are still make use of traditional transport and warehousing industry development model in their expanding process, which continues to expand the ranks of warehouse space and transportation capabilities, which is the entirely representative of strength. Nevertheless, a lot of investment in infrastructure, in fact it cannot help to make the development of enterprises, on the contrary it will result in a tremendous waste of corporate resources. According to China's logistics industry association report shows that as China's most economically developed Yangtze River Delta region, a warehouse logistics park of up to 60 percent vacancy rate at the same time, GREE companies which is located in the Pearl River Delta did not provide relevant data, but based on my perspective during the interview, its warehouse vacancy rate is more than 30 percent at least. Therefore, we can know about the low utilization rate of fixed assets is actually equal to a serious waste of cost.
In 2009, all of fixed assets of GREE account for 69% of business assets, but the actual usage of fixed assets annual average are no more than 60%, while the situation of CHINATRANS which located in the Yangtze River Delta region is even more serious, the average annual utilization rate of fixed assets is only 50%. Although not all fixed assets are put into production, the annual depreciation of fixed assets existed. The depreciation cost of fixed assets needs to be counted as operating costs. It can be known that in fact China's third-party logistics companies have its own serious problems in cost management. From the results of the interview we can see that GREE and CHINATRANS these two logistics companies in the production process of a major cost-saving approach is to encourage employees to form a conservative work habits to avoid the irrational waste of the means of production, such as office workers don’t waste paper, workshop should avoid wasting water and electricity. While this approach is indeed a part of the cost savings, but the savings part of the waste is far less than the depreciation of fixed assets. Therefore, the reasonable use of fixed assets, has become China's third-party logistics companies an urgent problem, but for the GREE and CHINATRANS which belong to state ownership and private ownership, who can be the first step in the transition from traditional to modern logistics development model, who will be able to take advantage of the cost of management.

ROI = (PROFIT / SALES) * (SALES / CAPITAL EMPLOYED) = PROFIT / CAPITAL EMPLOYED

GREE: ROI = 5% / 100% = 5%

CHINATRANS: ROI = 5.15% / 100% = 5.15%

GREE’s investment return is 5%; the investment return of CHINATRANS is 5.15%, and the two companies return on investment was basically equal. According to China's Logistics Development Report 2010, the figures show that take 61 logistics enterprises as statistical sample, the statistical results release that these 61 logistics enterprises’ storage revenue are 180 billion, but profits only occupy 357 million. In accordance with the fixed assets of 61 logistics enterprises accounted for 50% of the total operating costs calculation, its investment rate of return of about 1%, while the transport investment rate of return slightly higher than the storage section, which is about 1.3%. Based on the above data we can notice that in third-party logistics enterprises of China, the rate of investment return is 2.3% on average. Though GREE and CHINATRANS have higher level than average level, the reasons are different. GREE's main business is bonded logistics and they make use of VMI logistics management model which has become the link between suppliers and sellers and therefore have a higher benefit from value-added logistics services revenue,
furthermore, we found that GREE’s value-added logistics services continues to expand.

On the value-added services projects, compared to a lot of the domestic logistics enterprises, GREE account for advantages and advantages become more and more expand, with the analysis of causes, it is easy to notice that the country’s policies and regulations for the state-owned system have impact on logistics enterprises. According to the Chinese government law, it promulgates "plan of logistics industry restructuring and revitalization” principle part of the second and the provisions of Article VI "2. Market deploy resources, the Government creates environment. Give full play role to the market in resource allocation; mobilize the initiative of enterprises, from logistics meet to the needs of the reality, focusing on the economic benefits of investment, ""6. Innovative service approach, hold on scientific development. Try to meet the needs of growing logistics demand of producers and consumers and treat it as a starting point, innovative logistics service mode to enhance service levels. "Increase economic efficiency and enhanced services of third-party logistics industry is China's development direction, and state-owned enterprises GREE responded positively to the country's policy guidelines, moreover try to invest a lot of resources to develop its value-added services. The CHINATRANS’s the main business is international shipping trade, its high return on investment not only due to value-added addition income which from operations but also benefited from the appreciation of the RMB and the global drop in oil prices and other reasons. In addition, as a private enterprise, its main business objective is to chase high interest and the interests of reducing cost is an effective mean to officially rose, so CHINATRANS has a higher return on investment due to its low-cost operating model.
The rate of return on investment of GREE and CHINATRANS is much higher than that in China's logistics industry, the average return on investment, but it is only compared to the situation in China. According to the statistical report, the U.S. logistics industry, the investment return rate is nearly to 15%, about 7.5 times to the average level in China, and three times more than GREE and CHINATRANS. Hence, we can identify that the level of return on investment of Chinese logistics enterprises is extremely low actually. Based on a comprehensive analysis, there are many causes lead to low rate of return on investment; many factors can be generally viewed from two aspects: First, inputs, second, outputs. Inputs are primarily reflected on the cost, by the reason of low levels of basic equipment in Chinese enterprises, inputs on this side have been increasing and the costs would rise. Moreover, with high operating costs of logistics management (lack of advanced management mode, warehouse vacancy rate is extremely high degree of mechanization is low), there is no doubt that why the rate is low. In the output, because of low levels of business management and low service level, level of output cannot be too high, the majority of third-party
logistics Services Company still focused on simple storage and transportation, only some logistics enterprises began to develop value-added services, this situation becomes to the serious limitation of the logistics enterprises profits. The GREE, in despite of value-added logistics services or CHINATRANS low-cost operation, are on an early stage of development, there is still a huge gap when compare to the logistics industry in the developed countries, which also illustrates the third-party logistics industry in China still has enormous potential space to develop.

8. Conclusion

Through the analysis mentioned above, we found that ownership forms have a large influence on the Chinese logistics industry. Different ownership forms can make the similar 3PL companies have a big difference in the developmental direction, developmental model and enterprise strategy. Though we only had case studies on GREE and CHINATRANS, as a small number of 3PL companies in Chinese logistics industry which ROI can achieve 5%, GREE and CHINATRANS both have huge referential values to analyze. The results of the research on these two typical SOE and POE directly reflect how the form of ownership affects logistic industries in China:

- State-owned 3PL companies have a strict management system, but lack of flexibility. SOE has a potential advantage of the innovation aspect, and already has an obvious advantage of new technology development aspect. The core-competitiveness shows in the service. State-owned 3PL companies have a high level of service, many service projects and better credibility.

- Management system of private 3PL companies are flexible, but lack of strict standard. POE has a clear advantage of the cost management and human resource. The core-competitiveness shows in the grasp of the market.

- ROI of whole Chinese third-party logistics industry is very low, but it also proves that there is a large space for 3PL to improve. The case of GREE and CHINATRANS prove that the value-added services and low cost operation are effective approaches to increase ROI today.

In spite of increasing ROI and innovations, developing the new technologies of logistics, and increasing international competitiveness are crucial issues that Chinese 3PL enterprises should focus on, appropriately introducing developed countries’ advanced technologies and managing experiences will help Chinese logistics industries to develop faster.
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