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# A Study on the Reform and Further Development of "Chongzhou Mode" Based on the Perspective of Modern Enterprise Management

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**Abstract** At present, the domestic agriculture is facing challenges. Farmers' income is relatively low, and more and more rural young workers are divorced from the countryside to work in the relatively developed areas, which makes agricultural development caught in a vicious circle, so it is difficult to rationally allocate resources and increase industrial vitality. However, the new agricultural system of "Chongzhou Mode" has emerged to indicate a macro direction of agricultural development. In this paper, with "Chongzhou Mode" as the object of study, from the perspective of modern enterprise management, we elaborate some features of this mode such as corporate governance, land transfer cost internalization and human-based management, and explore the role of this mode in promoting employment, Internet +, and reducing market information asymmetry. Finally, we set forth the corresponding recommendations

**Key words** Modern enterprise management, Chongzhou mode, Further development path

## 1 Introduction

Agriculture is extremely important to China's development, and within half a century, China's industry and other industries have made considerable progress. However, the current model of agricultural development is difficult to keep up the pace of overall economic development. In order to ensure sufficient production, the agricultural development is mostly at the expense of natural resources and ecological environment. The consequences of extensive development are obvious. The capacity of the land to withstand natural disasters becomes increasingly low, and the economic efficiency of agricultural production is also increasingly low. Low production efficiency, extensive development model, and backward current system, have dealt a fatal blow to the overall industrial development of agriculture. Considerable labor has drained in succession, and the labor proportion between industries is in an imbalance. Late resettlement of migrant workers and other social problems ensue. Thus, the agricultural reform is imminent, and "Chongzhou Mode" becomes the inevitable result of following the trend of the times. "Chongzhou Mode" is a new agricultural management system formed in Chongzhou which establishes the land contractual right joint-stock cooperatives by continuously improving agricultural science and technology services, agriculture comprehensive social services, agricultural public brand, new rural finance and other platforms. The vice-president of Sichuan Academy of Social Sciences, Guo Xiaoming, believes that the effectiveness of Chongzhou test is initially apparent, but we are more concerned about the important theoretical value, practical value and policy value hidden behind practice innovation which may

have a profound impact on transformation of China's agricultural management mode. Luo Biliang, a professor in College of Economics and Management, South China Agricultural University, points out that the value of "agricultural co-operative system" in Chongzhou lies in the formation of three trading devices (farmers' land cooperatives as a property right trading device; agriculture professional manager market as an entrepreneur's capability trading device; agricultural production "service supermarket" as a service transaction device). It is not difficult to find that the implementation of "Chongzhou Mode" has driven agricultural development to a certain extent. It not only brings high economic benefits to ordinary farmers, but also promotes rational use of land and other scarce resources. It is the inevitable direction of future development of China's agriculture, and some elements of business management are constantly incorporated in this mode, which will play a vital role in its future development.

## 2 Analysis of "Chongzhou Mode" from the perspective of modern enterprise management

A farmer (also called an agriculturer) is a person engaged in agriculture, raising living organisms for food or raw materials. The term usually applies to people who do some combination of raising field crops, orchards, vineyards, poultry, or other livestock. A farmer might own the farmed land or might work as a laborer on land owned by others, but in advanced economies, a farmer is usually a farm owner, while employees of the farm are known as farm workers, or farmhands. However, in the not so distant past a farmer was a person who promotes or improves the growth of a plant, crop, etc. by labor and attention, land or crops or raises animals as livestock or fish. In China, due to thousands of years of cultural inheritance, farmers become an identity, that is, farmers have to work on the farm since they are farmers, and different

farmers cultivate their own land. In fact, under such development path, no matter how to mobilize the farmers' enthusiasm for production, it is difficult to realize economies of scale. "Chongzhou Mode" represents a new relation of agricultural production. Through deeper analysis, we can find that it bears a feature of enterprise management, and integrating high-efficiency business management with currently backward agricultural markets is an effective way to improve agricultural vitality and agricultural productivity. (i) Corporate governance in farming and hire of professional career agents. The current mainstream mode of agricultural development is still stuck at the level of household contract responsibility system. Although there are a lot of new modes of development proposed, they are flawed in terms of concept, or the concept is inconsistent with actual implementation. Why does so much labor flow from agriculture to other industries? The underlying reason lies in the economic returns from agriculture can not meet the individual needs. In agricultural production, most farmers have to face the following two major agricultural problems: production problem and marketing problem. Faced with this situation, hiring professional agents is a good way to solve the problem. Farmers use land to become shareholders, and production and marketing problems are resolved by the agents, thereby avoiding information asymmetry between production and demand. (ii) Land transfer cost internalization. After the realization of corporate governance in farming, the farmers use land to become shareholders of the company. There is a great drawback in traditional land transfer, and it has crowding-out effect on farmers in the whole process. The land transfer of Chongzhou Mode reduces the transfer cost and ensures the rights of farmers. Thus, it truly realizes land transfer cost internalization. When the agent controls large-scale land, he can carry out unitary or diversified centralized production on the land at the same level. This makes it easy for the overall management and mechanized farming, thereby greatly improving production efficiency. At the same time, we must realize that the large-scale land production will cause economies of scale, and professional mechanized production will greatly enhance the degree of specialization of products, and dramatically reduce the product costs. (iii) Human-based management under "Chongzhou Mode". The essence of Chongzhou Mode is the principal-agent relation between farmers and agents. This is consistent with the case of most companies, so the effective operating experience of some companies can be fully used in it. The development of agriculture as an industry faces great challenges, and the staff management is a very important part. Most of the agents are not agricultural professionals, and in view of cost, there will be some employees who come from rural human resources market. For the human-based management of staff, from the macro-level, the individual employees will show their personal potential and can find a number of all-round talents. From the micro-level, the agents will be subject to thinking restrictions and knowledge limitations, and after human-based management, the employees will invisibly make up for the deficiencies of agents, bringing benefits to both agents and em-

ployees.

### 3 The influence and further development path of "Chongzhou Mode"

"Chongzhou Mode" not only boosts the development of agriculture, but also affects other areas. Firstly, "Chongzhou Mode" provides a lot of opportunities for China's grassroots employment. Currently, China is under the background of economic downturn, and the rectification of industrial structure causes some unemployment. With continuous enrollment in colleges and universities, many students flood into the labor market every year, and "Chongzhou Mode" can be seen as a form of starting business in a way to absorb a certain amount of the unemployed. And the organizations under "Chongzhou Mode" places low demand on the education level of junior staff, and it is good for the ill-educated unemployed. At the same time, we should also realize that the organizations under this mode can be at the forefront to really open up rural human resources market, which will be a big opportunity for agricultural development. Secondly, the organizations under "Chongzhou Mode" can truly link rural areas and "Internet +". Due to high education level, better strategic sense and strong ability to adapt, the agents can better pull the development of the rural economy into the "Internet +" era, so that agriculture can be truly linked with existing economic instruments. For the rural economy, this is an opportunity, and the necessary power and vitality for development. Similarly, in terms of the "Internet +" era policy, it is a necessary complement, so as to establish the linkage between agriculture and other industries, and fully tap the development potential of each industry. Finally, the development of "Chongzhou Mode" can help to achieve relative supply and demand balance in agricultural markets. The current mainstream mode of agricultural development does not raise the effective supply according to market demand. When there is a bumper harvest, due to lack of sale channels, a large number of products rot in the fields. It is a waste of resources, and the land use efficiency is low. Under Chongzhou Mode, these problems can be avoided, and the agents will do their own best to sell products, timely know market demand, and make effective supply in accordance with the demand. Through the establishment of the new mode, it can reduce the degree of information asymmetry between supply and demand to a large extent, thereby achieve a higher degree of balance between supply and demand.

### 4 Recommendations

Firstly, "Chongzhou Mode", as a new mode of agriculture, needs to be popularized on a large scale, so that the grassroots farmers really accept this pattern. Although this mode has large potential for development, it is still not recognized by most people. At the same time, due to low education level of farmers, it may encounter great resistance during the popularization. So, we can try to make the promising young people in the village take the job of village agent, and after the farmers accept this mode, they consider the

it variables and latent variables are greater than 0, indicating that the selected indicator variables can explain latent variables, and path coefficients of latent variables to indicator variable are positive, namely, the influence of indicator variables on latent variables are positive influence. The analysis of latent variables indicates that the path "strategy selection → enterprise performance" shows strategy selection of dairy enterprises can directly influence enterprise performance and the path coefficient is 0.03, so this influence is positive.

## 5 Conclusions and recommendations

**5.1 Conclusions** From the direction of industrial chain, major restriction of economic benefits of dairy enterprises lies in price of upstream raw materials. Establishing milk source base not only can reduce production costs, but also ensure dairy safety from the root. Compared with using horizontal strategy to pursue scale economy and reduce costs, adopting vertical strategy can better increase the profit and obtain trust and purchase tendency of consumers. Therefore, using vertical strategy is better than horizontal strategy. From the perspective of business diversification, single business pursues specialized production, such diary enterprises can put enterprise resources and energy into core main business, to make business realize specialization and differentiation to obtain higher trust of consumers. If enterprises adopt diversified strategy, they will adopt diversified strategy and take time, make effort, and materials and financial resources to explore businesses they are not good at. Besides, they will compete with top enterprises doing related businesses, which will lead to risks of unsmooth fund operation, breakage of capital chain, and even bankruptcy. Thus, adopting diversified strategy is not better than adopting horizontal and vertical strategies.

**5.2 Recommendations** Research conclusions indicate that the optimum strategy for diary enterprises is vertical strategy, followed by horizontal strategy, and the last is diversified strategy. Adopting vertical strategy to expand upstream and downstream of industrial chain needs huge investment, large dairy enterprises have funds and ability to implement such strategy, but small and medium sized enterprises do not have such ability to implement such strategy, so they have to adopt horizontal strategies, such as expansion of product production scale, product types, and market

shares.

Facing impact of foreign products to dairy product market, product differentiation and innovation can increase types of dairy enterprises, so dairy products can adopt horizontal strategies to realize expansion of product types through product differentiation and innovation. Imported milk at domestic market does not show differentiation and products are limited to whole milk and skimmed milk. In this situation, domestic dairy enterprises can segment product functions, consumer groups and consumption occasions according to demands of consumers.

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future development. Secondly, "Chongzhou Mode" needs to be closer to the commercial running. The principal-agent relation of this mode provides a good foundation for the enterprise-style development. Currently, the operating scale of this mode is small, so a lot of problems can be internally solved, but when the operating scale of this mode is gradually expanded, many invisible management issues will be exposed step by step and then crack this mode. So, when this mode can be popularized on a large scale, we need to realize that it is necessary to strengthen the in-

stitutional security to form a vibrant, efficient mode of operation. Finally, the government needs to further promote " Chongzhou Mode" and offer policy protection. The position that the agricultural economy occupies in China's overall economic structure should not be underestimated. It is the basic guarantee for the smooth development of other industries, and also an important part for the national security. Thus, the national attitude towards this mode is crucial, and it can be easily found that it is necessary for the state to protect this mode.