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Systematic solution to meet green economic growth and sustainable development

Zhouying JIN Center for Technology Innovation & Strategy Studies, Chinese Academy of Social Sciences

A. Systematic solution to meet green economic growth and sustainable development

1. Fundamental issues for green economy

- Developing green economy consistent with sustainability is a long-term goal and ideal of human being.
- Relying solely on green technology cannot achieve green economy.
- For the sustainable development and the transformation to the post-material, postindustrial society taking shape in the world, it needs multi-measurement in different level (macro /meso- /micro) and different dimensions;
- In the macro economic level, in order to transform development mode from an economiccentric development model to a model coordinated with 'Quadruple bottom line', a corresponding system, mechanism as well as a new evaluation standard for official performance at all level are needed;
- In the social and cultural dimension, changing the values, life style, consumption model and transform the urbanization model etc. should be considered;
- In the enterprise level, green business model with new enterprise culture and values, as well as sustainable manufacturing and sustainable agriculture are the basis;
- In the operational dimension, technological innovation in broad sense, strategy and institutional innovation which are totally different with those in the industrial age are needed in order to ensure the implementation.
- To establish a mechanism and system to assess the effectiveness of green economic policies and institutions
- In a word, a systematic solution is needed.

2. A systematic solution



3. Tools: Technology innovation and green economy

Hard-tech innovation:

- high resource-efficient
- recyclable
- Iow carbon intensity
- innocuousness,

Soft-tech innovation:

- To promote efficiency of technology transfer
- To enhance ability of implementation
- **To provide connotations & basis of institutional innovation**
- To design a system and sustained mechanism for realizing long-term goal and object of green economy
- To explore a suite of policy options and tools available to promote a global green economy transition
- To design a long term strategy that is a balanced and integrated with hard system and soft system
- To hold right direction of innovation and technological change
- Finance is a means & tool, to better use it can make it play a leading and support role for green economy



4. Global technological change —from hard technology to soft technology

Along with global economic softening and competition increases, the role of soft assets (soft-capital, innovative capacity of soft-tech, soft-environment, soft production) is constantly increasing, and becomes a new resource of the macro economic growth.
Soft technology has drawn those means and tools of " problem solving" from social, philosophical and cultural perspectives, adapts to provide intangible solutions, and conduces to shape a comprehensive and systemic solution via the integration of hard-tech and soft-tech.

• If we can say soft technology is the game, then institutions is the rule of the game.

• However, soft technologies could also involve bad games and innovation. The direction of technological progress and innovation guided by soft-tech operation and soft environmental design, especially the institutions will decide what kind game will be encouraged or restricted.



5. Conditions to carry out green economy

The concept of the environment needs to be extended from eco-environment to institutional & cultural environment, which are known as soft environment.

- **Soft environment** including system, mechanism, law, institutions, policy, culture, values and other soft infrastructures (e.g. interpersonal and electronic network)
- **Innovation on SE should be propitious to national sustainability and implementation of green** economy, e.g. need to be created to attract investment including funds, manpower, policy investment and investment on natural capital
 - 1) Institution in the field of economic, environmental, public and social, resources area (protect/ **inspire**/**restrict**)
 - 2) Policies take measures from the macro, meso- and micro level to give preferential treatment that is conducive for transition to a green economy
 - 3) Enterprises culture, e.g. "Triple bottom line"
 - 4) Life style & consumption model (In China the energy consumption of architectural operation accounts for about 30% of the total energy consumption for the whole society, technological energy saving is certainly important, but the users behaviors, education and cultural accomplishments also crucial.

5) The standards for evaluation of official's achievement at all levels

- Hard environment:
 - 1) Industrial base, Hard infrastructure, transportation
 - 2) Financial investments

3)



6. Where the competitiveness come from?

- Strong R&D capacity is the source for creating competitiveness— Competitiveness of solution (hard tech and soft tech)
- Soft Technology is the tool for creating competitiveness Competitiveness of implementation capacity of solution
- Hard environments and Soft environments are the basic conditions for competitiveness—Competitiveness of environment, that is condition of fostering innovation capacity
- Integration capacity of above three factors
- According as our study, the GAP between developing & developed countries come from lack of innovative capability of soft-tech, soft-environment, especially, those talent of soft-tech



B. Green economy and developing countries

For developing countries, the green economy represents not only opportunities but more challenges

1. Opportunities

- Developing green economy is the fundamental guarantee for sustainable development
- Open up new development road. We could not follow or avoid the road taken by the developed countries, which takes the idea of "pollution now, clean-up later"
- New engine of growth
- **Extend endless space of innovation, create new jobs**

2. The key barriers – 1

Conceptual changes includes the understanding on the limited Earth's resources; sustainable development, development model, changes in thinking mode; The importance of soft-tech, soft-environment and soft-capital.

From a practical point of view, traditional profit model which takes the economic interests first for hundreds of years is not easy to change, and the successful experiences learned from developed countries are non-green model.

• Most developing countries are in primary or intermediate stage of industrialization, thus economic scale, hard infrastructure, the accumulation of financial capital and other hard power are still most important parts of their national strength. Therefore in the contradictions between the growth rate taking GDP as an indicator and quality of development, the former is often taken for the first. For example, for most of local government in China, particularly for the less developed regions, there are immense pressures on GDP growth rate.

3. The key barriers – 2

- In the strategic structure, the hard and soft structures of strategic system are imbalanced. In order to surpass the developed countries, they often paid too much emphasis on hardtech innovation, and invested more in high-tech & hard environment, resulting in poor ability to implementation and low efficiency of technology transfer; and poor soft environment is not conducive to encouraging innovation and green economic growth.
- Various policies and institutions do not match each other, and a systematic preferential policies dominant by green development is absent.
- Implementing the green economy, in generally the costs will be higher than traditional model of development after all. To shift business model from the simplistic pursuit of profits to take into account social and environmental responsibility, which is a great challenge for most enterprises in developing countries which are still in the stage of capital accumulation.
- The difficulties we encountered during eight years after the introduction of the Future 500 which promotes triple bottom line into China could illustrate this point.
- It needs to solve green financial issues. Most financial institutions are afraid to undertake risks when they provide loan business for the green economy projects for SME or poor areas.
- Although the role of social organizations, including NGO, is bigger and bigger, but because of the attitude to the negative effect of social capital has impact on the basic system of public associations and social organizations of a country, for instance, in view of a policy of 'social stability first', a strict restrictive policy for developing those social communities or NGOs has been taken in China, so that it restricts to develop and utilize the potential value of social resources.
- Enterprise has not been taken as the main body of innovation

4. The role of State intervention

- For developing countries, state intervention is the key, whether for developing green economy or for enhancing competitiveness. State intervention can be divided into several categories:
- 1) Direct control from institutional & legal level, including administrative measures. Many important projects in China have been halted in recent years because they are incompatible with environmental criteria.
- 2) Strategic direction. National medium- and long-term strategy must take sustainability as main tone to shape the goal of developing green economy, and embody it in short- and medium-term plan. In the "Outline" of China's 12th "Five -year Plan", it is put forward to promote green development and build a resource-saving and environment-friendly society, and moreover, to take reducing energy intensity of resource consumption and pollutant emission intensity as binding indicators. Three key points of promoting green development are to save energy and develop renewable energy sources; to promote comprehensive utilization of resources; to protect environment and restore ecology.
- 3) Orientation of policy. Policy to support green development must make coordination (it is what we lack) among economic policy (including fiscal & monetary policies), social & public policy, environmental policy, and resource policy. While each field must include two means, such as economic policy comprises the means of tax (restraint) and subsidies (incentives).
- 4) Investments in sustainability and natural capital need government guidance, and even direct investment, where it is necessary to bring into full play the role of the funds.
- 5) In order to achieve broader goals, State need to mobilize resources at the national level to achieve grand long-term goals reflecting the national will and interests. It is important for China, which has an advantage in total quantity but where all of the per capita resources are in a relatively weak. For example, Chinese government decided to invest 4 trillion RMB to solve water problems this year.
- 6) State must make efforts to reduce the technical barriers & tariff barriers in the international cooperation of technical projects, which is difficult to be achieved by individual companies.
- 7) Continues open the door and encourage international cooperation, to develop various channels from the national level to the nongovernmental level, so as to facilitate technology flows and talent flows.

5. China's case on new energy industry5-1 The bright future

- Wind power industry in China has grown rapidly. The growth rate in 2010 increased by 37% compared with that in 2009, the total installed capacity of wind power reached 44,733 MW, and surpassed the United States for the first time, ranking the first in the world.
- China's yield of solar photovoltaic battery reached 10 GW in 2010, ranking the 1st in the world. Total capacity of solar photovoltaic power plants will be 2,000 MW by 2020. About 100 new energy cities and 1000 demonstration plots of new energy will be built by 2015.



5-2 The major problems in development of green economy (1)

- Lack of systematic planning and industry development plan at national level for green economy caused disorderly development: Along with the global wave of green economy, many region in China have been build up the base of wind power, photovoltaic solar and other new energy. However, lag of the overall strategic planning results in blind development & duplicated construction in many area, and boosting the over-investment in wind power, solar energy and other new energy industries.
 - 1) Wind power industry, about 1/3 of them are suffering losses or low-profit status now.
 - 2) Solar photovoltaic industry, the economic crisis has exposed the vulnerability of the sector industry, resulting in serious excess capacity. There are more than half of SMEs of battery components has been stopped production, and 30% of companies dramatically cut the production.
 - 3) Although the total revenue of environmental protection industry increased from 45.9 billion Yuan to 790 billion Yuan during 1997 to 2008, but the lack of overall planning, comprehensive coordination and etc. results in its poor macro-control and industrial management.
 - 4) The energy strategy lacks a long-term "overall energy development plan", which is in line with national conditions and with better maneuverability, thus local governments follow the trend blindly in the name of "green economy", resulting in a new round of redundant construction and waste of resources.

5-3 The major problems in development of green economy (2)

- Mechanism and institutional construction: On the one hand, we lack of overall institutional arrangement for incentive & restrictive mechanism for developing green economy, on the other hand, for those existing indicators, such as Emission Reduction, Energy Consumption per unit of GDP, there are not effective and strict measures of rewards or punishment for achieving the objectives. Take tax as an example:
 - 1) The current tax policy needs "green" adjustment to make up for the blank of law in the environmental protection; to increase consumption tax rate of some consumer goods, and lead the public to a green consumption, while reflect the national orientation of limiting production and consumption of polluting goods.
 - 2) To expand the scope of taxes to incorporate trees, water source, beach besmears and etc. in it; to promote to transform administrative fees into taxes, which can incorporate resource fees into strong regulation of the green taxes;
 - 3) To collect new special tax of environmental protection: such as taxes on air pollution, water pollution, solid waste, garbage and noise pollution and other independent categories of taxes.
 - 4) Preferential tax mechanism dominant by green development
- Not only lack of independent core hard technology, but lack of overall management. Almost all development of solar energy, wind energy, biomass energy and emerging coal chemical industry have gone through or are going through the same process: temptation of high profits crazy investment excess capacity bubble burst in time. China needs to strengthen basic research, and support R&D of new energy, reliability research and breakthrough in key technology in multiple levels. At present, there are 20% of core components need to be imported to assemble a wind generator; raw materials of photovoltaic industry are dependent on imports, because we have no core technologies to produce polysilicon materials.
- In the emerging industries of green economy, there exists a severe shortage of professionals.
- **Conclusion:** for developing countries

C. Green Economy & Long-term Strategic System Integration Management Model (LSSIMM) —A practice in China

1. Background—based on the experience and lesson from promoting Sustainable Development in China.

- Strategic management has been extensively studied and discussed at the enterprise level. However, there is still a new global challenge in the 21st century at the macro strategic management level, particularly when related to the issue of adapting to sustainable development and the green economy.
- The values of sustainability and the purpose of the green economy must be embodied in the national strategic direction and goals, strategic deployment & strategic management.

• Historical experiences proved that due to the lack of integration and tracking management of long-term strategy, it was often found that after 10 or 20 years -- the strategic vision could not be fulfilled -- the reality were often a far cry from the original strategic goals and visions.

 There is few integration among the strategies in the economic, social, environmental and resources areas.

The concept of "sustainability" often puts emphasis on eco-environmental issues, while sustainable development in the economy, society and resources is often ignored.

There is a lack of strategic management.

2. Principle of LSSIMM design —A thorough change in the concept of LSM

- The strategic goal must be long term, and consistent with the direction of the green economy and sustainable development
- Strategic vision and planning must be based on continuous and long-term future study
- Strategic deployment must take into account the coordinated development of economy, society, environment and resources
- Strategy support system should be embraced both of soft infrastructure and hard infrastructure
- Strategic implementation needs broad systematic integration and innovative roadmaps to help achieve long-term goals through both bottom-up and top-down efforts
- A benchmarking tool is needed to provide standards and to periodically verify the status matches strategic objectives closely
- Implementation of long-term strategy needs social support and broad public participation
- Embedding a long-term strategy adapting to sustainable development into medium- and short-term planning

3. Three-phase and Six-level of LSSIMM



Three phases:

- **Defining strategic goals**
- Formulating strategic plans
- Strategy implementation & evaluation

Six levels:

I : Definition of development goals
II : Design strategy-based roadmaps
III : Project implementation and macro strategic system integration (measures by harmonious degree)
IV: Overall performance Management (measures by GPI)
V : The green business models (measures by GC360)
VI: increase public participation and civic involvement.

> Traditional model: pay more attention to project management, GDP performance and economic profits of enterprise

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D. Defining strategic goals & the future vision



Key factors

- The foresighted leaders
- New Culture & Values
- Future visions based on a long-term perspective
- The goals must be consistent with the direction of sustainable development

The goals should not be purely economic ones, but should also take into account such goals as social progress, ecological and environmental protection, and optimum protection and use of resources.

E. Strategic Deployment and Support System1. Guidelines

- Meet to goals
- Harmonious development of economy, society, environment and resources
- Support systems embracing soft and hard infrastructure



2. Strategic planning with soft & hard balanced system

- Capital support: Financial capital, Human capital, Social capital, Cultural capital, Natural capital
- Implementation capacity: soft-tech talent (leadership, action ability, public relations techniques including the ability to canvass boss)
- Project arrangement: from demand of Hard industry/Soft industry
- Hard infrastructure / Soft infrastructure



F. Strategy Implementation & Evaluation

- Strategic implementation needs broad systematic integration
- Strategic systems at national, regional, industrial and enterprise (macro, meso and micro) levels need to be integrated



Key factors

• For the shift from an economic-centric development model to a coordinated sustainable development model, the most difficult part is implementation.

 Implementation is the process by which the strategic goals are transformed into organizational performance.

-This requires not only embodying the values of sustainability in long-term socioeconomic development strategies, but also requires institutional support as well as linking the short and medium-term plans to be implemented to current activities.

G. Project management & project system integration



Managing specific projects in order to obtain maximum output with limited resources.
In general, each project competes to get the necessary supporting funds, resources, talents, infrastructure, preferential policies and special institutional support.

- However, the resources that can mobilize are always limited.
- Successful PM does not only depend on management of specific project, but on other relevant factors such as the optimal allocation/ access/ overall management of strategic resources, the input-output management of "soft" and "hard" capital, hard and soft infrastructure management, especially the relevant institutions, mechanisms and policy innovation.
- The key elements such as resources, capital, infrastructure and capacity all have their own inherent systems.
- Therefore successful PM must integrate all of relevant "elements systems"

H. Macro strategy integration & early warning system



Key factors

- The design of the harmonious development system with quadruple bottom line is not a simple selection of indicators
- Needs to identify system's feature, optimal structure and functions
- Tracking management and early warning system

1. Four Quadrant Radar Chart --a platform for visible decision making





2. Quadruple bottom line strategic management system and its structure

Principle

system structure

system functions

easy to feedback



- SO2 emission per unit of GDP CO2 emission per
- unit of GDP
- Water pollution
- Forest coverage
- the recycling ratio of industrial water and domestic sewage

treatment rate

- GDP per capita Ratio of service industry
- Energy intensity Ratio of foreign
- trade dependency R&D input



Social

- schooling years
- Urbanization rate
 - Urban disposable
- income per capita
- Rural net income
- per capita
- Endowment
- insurance coverage for urban residents
- Rural cooperative

Freshwater resources per capita Arable land per capita Ratio of clean energy Mineral resources per capita

Natural

resource

- medical coverage

3. Monitoring of four systems harmonious degree & early warning system - review the past 30 years, foresight the future 50 years







4. The development postures for the future 40 years —Case study of a coal mining city



5. Scenarios analysis and choice of policy

1) Operation

- Scenarios analysis
- Strategy adjustment
- Operation the early warning system
- Tracking—analysis—feedback
- Regular report



2) Scenarios analysis

- **•** To adjust the direction and strength of investment
- **To adjust the rate of sustainable investment**
- To adjust industrial structure
- **•** To adjust the ratio of consumption and investment
- To adjust energy structure
- **•** To adjust institution arrangement and policy priority

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6. The harmonious degree —A case of a coal mining city

- In order to increase the quantitative basis of long-term strategic management, we defined the harmonious degree, which manifests the harmonious development situation among the areas or elements required to be integrated under the principle of sustainable development, also evaluating the impacts of a longer-term green economic development.
- It is includes total harmonious degree and harmonious degree for each field
- **100%** represents the optimum



I. Beyond GDP, Establishing GPI system
 — Case study for whole China, Beijing and a coal mining city
 1. The limitation of GDP

GDP is the important and major indicator to measure the economic growth at present. However, it does not reflect either the quality of economic growth, or the across-the-board progress of society, or the national wealth level, it is not the national happiness index.



2. A Tool for Evaluating Sustainability

GPI (Genuine Progress Indicator) system composed of social / economic accounts with 20 indicators can reflect trustily across-the-board progress of society and the national wealth level

> Establishing a GPI management system
> To improve performance measures of administrative achievements

3. The analysis of China's GPI

The ratio of GPI to GDP was at an average of 53% in the 1980s, an average of 16% in the 1990s, and 26% from 2000 to 2007. This trend is similar in general to that of the United States in the period after the 1970s and that of Japan in the period after the second half of the 1960s.



4. GPI reflects trustily the across-the-board progress of society and the national wealth level

During the past 40 years, Japan's GDP increased by 8 times, while their GPI increased by 65%. Japan's GDP per capita was 37556 USD in 2000, which ranked the first group in the world and was known as the richest nation. But the suicide rate in Japan ranked the first in the world for 3 consecutive years until 2000. For the U.S, from 1950 to 2004, the average growth rate of GDP & GPI increased by 3.38% and 2.28% respectively. In the corresponding period GDP & GPI per capita increased by 2.13% and 1.03% respectively. GPI per capita grew at an extremely sluggish rate from 1950s to 1960s, and from 1970 to 2004 decreased by 45%, therein it declined by 1% in the 1970s, 2% in the 1980s and 6% in the 1990s.



人民日報海外版 2010年5月14日 王府五

专访社科院技术创新与战略管理研究中心主任金周英 怎样建立真实进步指标

●由社会经济和环境 20多个指标构成 ●反映经济健康程度和社会进步状况

武事子放口支付 如 茶和泉, 竹豆子 如此日, ·信(GDP) 形态了 15 年, GDP 规模产加加美 用用。我们的代行和思多是基づ了 GDP 给粉锅手又涂粉水令人满意的苦读。 机水干印度 有意义:20分别标志林 (法称)



中国的真实进步指标(GPI)系统

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研究组负责人:金闻英:成员 李忠、刘东昌、杨京英、高庆秀 修改稿收到日期 2010 年 3 /

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中国的真实进步指标(GPI)系统

——一种促进可持续发展的工具

金周英

中国的真实进步指标(GPI)系统

——一种促进可持续发展的工具

中国 GPI 研究组,

(北京教技术研究院 北京 100086) (中国社会科学院技术创新与战略管理中心 北京 100732)

摘要 GDP 是目前衡量经济增长的重要和主要指标。但该指标既能不反映经济增长 的质量、化不能全面反映社会的进步、更不能反映国民的富裕程度。而 GPI(真实进步 指标)系统涵盖了社会、经济和环境三个账户,被公认为是检验一个国家或一个地区 效的工具。中国 GPI 研究组建立的中国 GPI 系统,将有利于透 繁荣的经济景象,检验我国经济发展质量以及在经济,纠合 领域的实际进步。如果将 GPI 作为 GDP 的补充和完善,并作

关键调 国内生产总值((

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世界。从1978年到2 9进步是多少?一个越来 K,必须学会及时反思和 现在,改革开放进入 (变传统的经济发展的)

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5. Chinese media's response

▶ 高了 15倍, GDP/ ff,我们为此付出的付 的进步是多少? 一个 必须学会及时反思和。 现在,改革开放进 室的经济发展模式,可 「能遇到挫折。但是\$ 1会、资源与生态环境 a和监控手段,特别力 尝试没能成功之后,我 透过 GDP 所表现出来 国经济发展质量,检影 力和真实进步,协助? 和各种措施,逐步落多 会的目标。GPI 就是这

1978年到2007年

一、GDP 与真3

早在1967年罗伯 当中,把大气污染、香 的交通事故的负伤者 效益而计算进去了。 以及将其破坏而进监 GDP之中"。的确,尽 的重要和主要指标,但 个国家或地区社会经 不反映经济增长的质 步;既不能反映社会更 的富裕程度,更不能很 为了弥补 GDP 的 力。其中,GPI(真实进

验一个国家或地区可

J. Changes in corporate behavior, introducing a green business model is the basis for transforming national development mode

1. Enterprise management needs a revolutionary transformation



China introduced The future 500 mechanism in 2004



Green business model
From The Fortune 500 to The Future 500



2. From the Fortune 500 to the Future 500 — Challenges of new business model



+Under the market economy, either the function of administrative command or the influence of the economic leverage of the government is limit.

◆ It is necessary to build an equitable & scientific evaluation system for enterprises to reset examples of "Good companies", i.e. a principle / standard must be put in place to restrain corporate behaviors, evaluate and verify the responsibilities undertaken by enterprises for sustainability, earth and the next generation as corporate citizenship, as well as the degree of implementing the responsibilities;

3. From advocating "big" company to striving for being "good" company

Mission: To grow businesses that maximize total gain: economic, social, and environment area to help businesses achieve the leap & transition to the new economy;

Principle: To change the profit mode, create new business model; To serve not only shareholders, but an increasing array of stakeholders;

Effective tools GC360 (Global Citizenship 360):

• GC360 helps companies embody the corporate mission in business practice, and implement advanced management concepts

- Against 24 internationally accepted standards;
- 208 questions Combination of audit and self-evaluation;
- Enhancing the soft power, from idea to action
- Helps companies and suppliers embody the corporate mission in business practice

4. Provide effective principle and tool—GC360 which provides a path for companies and their suppliers to transform corporate behaviors and enables their operation to conform to the Green Business Model — from idea to action



	Fortune 500	Future 500
Image	Massive profits	Responsible companies
Succeed as	examples of "big company"	examples of "good company
Symbol	Heroes of the industrial age	Models of the new economic age

K. Increasing public participation & civic involvement



1. To encourage more enterprises changing the profit mode

The Future 500 has become a symbol of the advanced corporate culture and values under the direction of sustainable development, and to join in the Future 500 also become an important symbol manifesting that enterprises give attention to the triple-bottom line economic, and improve the corporate reputation and the soft competitiveness

2. Increase public awareness, participation and civic involvement – Convening the Future 500 conferences & seminars



The Future 500 China 2004 Forum



L. Green economy, innovation and broad sense of integration



M. Establishing sustained management mechanism for the development of green economy

- The circular model of "LSSIMM" provides a sustained mechanism for long-term strategic management. It is a roadmap to carry out the integrated management of regional development at the macro, meso and micro level.
- This model will greatly enhance the possibility to implement strategic planning successfully through the process of monitoring, evaluating, feedback, adjustment as well as scenario analysis and early warning system.
- "LSSIMM" provides a visualized platform for leaders to carry out scientific and democratic decision-making. It facilitates different dimention of managers to participate in the decision-making process, improves their ability in innovation and implementation and helps the leadership group to become a real learning organization.
- The leadership group can apprise each department through their practice of "LSSIMM", and conduct a comprehensive performance evaluation system of administrative achievements.
- "LSSIMM" allows the local management team to be able to have an insight into all of the country and the world in addition to their own positions, which is very important for cultivating far-sighted leaderships.
- To organize specialist teams to conduct sustained strategic management

Thank you!

jinzy@soft-technology.org

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