

A Research of Innovation Strategy on the Sustainable Development of SME in China

Cao Jianshu

International Office, Wuhan University of Technology, Wuhan, P.R.China, 430070

(E-mail: caojianshu@whut.edu.cn)

Abstract SME (small and medium enterprise) is indispensable for Chinese economy and social development, and how to help SME to keep sustainable and healthy development, and to perpetuate an economic boom in the fierce market competition has become a key research topic pursued by many experts. This article reviews from the perspective of sustainable development, and deeply explores the difficult position of SME, which finally finds an innovation strategy for Chinese SME to keep sustainable development.

Key words Sustainable development; SME (Small and Medium Enterprise); Innovative strategy; Corporate culture

1 Introduction

SME is a very strong power for Chinese economy and social development, and plays very important role in technical innovation, employee expansion, promoting market competition, keeping social stability, and etc. [1] However, due to the effects from international financial market environment, international ecological environment and its own defects, which force SME to face great challenge in sustainable development, especially in sustainable innovation. If SME would perpetuate an economic boom, and remain invincible in the market competition, sustained profit growth, market expansion and good public relation are required to be considered in the chase of long-term development, as well as rational use of natural resource and energy to protect environment and ecological balance. While in the process of innovation which transfer from poor efficient use of resource to higher efficient use, if an enterprise sticks to its old and improper regulations, and is reluctant to innovate, the enterprise could finally lose its advantages in the competition. That's to say, innovation is the very basic path and source of power for longer competitive edge and sustainable development in the history of development of SME.

2 Dilemma for Sustainable Development of Chinese SME

Chinese SME is the product of development for social productivity and socialized mass production, which has become the source of power to improve the development of Chinese national economy. While, in the day of globalization and reform of market economic system, many SME which were famous at that time have disappeared, like Flying Dragon and Monkey King. Nowadays, there are still some SME which are facing very difficult situation. Through more investigation, we found that there are five reasons to make these SMEs very difficult to keep sustainable development.

2.1 The management mechanism of SME is not complete

The materials and data of investigation for the development condition of SME held by some experts have revealed some managerial problems of SME. For example, the knowledge structure and managerial skill of managers in SME are in a rather low level, and they are short of complete idea of management and scientific orientation for product. They are also shortsighted in the market input, which means they are lack of long-term development of strategic planning, so as to diversify their products in blind. In the meantime, they have no mind to enjoy innovation and healthy competition, and act very slowly to the change of market, which leads to weak core competency. The interior management is not regulated, and the company is lagged behind by narrow sight of market development and old management methods. Some companies are short of fair allocation mechanism of benefit which limits the potentials and initiatives of personnel.

2.2 The SME is lack of corporate culture

Corporate culture is the soul of one company, and is also the drive for development of the company. It contains the spirit and values of the company, and the values are held in the production and management of commodity by company or its staffs. Many SME ignore to build corporate culture, neither to cultivate mutual values of personnel, which leads to dislocation between value of individual and enterprise. The obstacles of corporate culture for SME are put in the following positions. At first, SME wouldn't give enough attention in corporate culture, and more attention are divided into outside

imagery design and product promotion, while the whole planning of corporate cultural strategy is not focused enough. Secondly, Some SME only pursue economic benefit and immediate interests, which keep forcing staffs to make their duties while not mention their rights, finally it is hard for them to form core value and scientific managerial idea. Thirdly, Some SME put their source only on short-term corporate culture during their building corporate culture, but don't make any plan for long-term future of corporate culture, which leads to short of continuity and stability of corporate culture, and it is hard to form unique corporate culture with own characteristics. At last, The family-styled management in the corporate culture would slow the promotion of managerial level, and use the closest not the best personnel, which make the company very hard to adapt to the complex market.

2.3 It is hard for SME to continuously support technical innovation

Due to the reason that many SME try to increase economy by financing and increasing labors, which results the phenomenon of ageing equipment, outdated technology, abandoned resource and wasted money. So the SME are required to continuously carry out plan of innovation, especially in techniques, so as to promote advanced technology in product, and realize the effective usage of resource and stable increase of economy. However, in the process of innovation, some managers stick to old regulations and extensive managerial mode, and put innovation out of long-term planning of company, ignore the encourage and rewards for the innovation by the staffs. Moreover, the SME are limited by their capital, human resource and other factors, the innovation could only be talked on the lower level. So, it is hard for SME to make effective efforts in self-innovation, neither pursue core competence or forming innovative mechanism of combination by production, study and research. And sustainable innovation has become an armchair strategist for these SME.

2.4 SME is short of human resource

In the times of knowledge economy, it seems that product and service is the core of market competition, but finally all these would concentrate on the struggle for human resource. [2] Until now, Chinese SME is still hard to compete with large enterprise and foreign enterprise in scale, capital, reputation, etc., which could hardly employ talented staff, or keep talented staff for a long time. That could trace back to two reasons. One is that SME is old fashioned in human resource management, which neglect the development and input in human resource, and is lack of rational planning, results in shortage of talents, and finally make SME hard to become bigger and stronger after reaching some scale. The other one is that SME is lack of good performance evaluation system and incentive mechanism, which has dissatisfied all levels of personnel, neither fully perform their initiatives and innovation, and finally leads to mass job-hopping.

2.5 It is more and more difficult for SME to get finance

The difficulty for SME to get finance is world-wide problem, and even more difficult in the incomplete financial system of China. There are three main reasons for the difficulty of getting finance. The first one is that SMEs are not clear for their property rights, neither for their responsibilities, which is combined with low level of manager, unhealthy financial system, small scale capital, and have no protection for their financing credit. The second one is that state-owned commercial bank refuses to take the economic and political risks for loaning to SME, especially to non-public SME. In the new credit management system, commercial banks prefer to raise their entry qualification, and more strict with their credit ratings standard. Moreover, some SMEs could not repay the loan in time, which would make their social credit worse. The third one is that China hasn't built complete laws and regulations to help to financing SME, and the bank would normally refuse to loan to them without healthy credit guarantee system.

3 To Build up Innovative Strategy for Sustainable Development of Chinese SME

3.1 To build sustainable innovative strategy of management

If SME would keep sustainable development, the innovation in management of enterprise is the premise and foundation. Firstly, according to the practical and reasonable strategic planning made for SME, the managers could widen their thought, listen extensively to suggestions, so as to make the target for promoting core-competitiveness of enterprise, and make management strategy focusing on the real situation of enterprise and stream of times. Secondly, it is very important to create new management mode, to avoid the shortcomings of family styled management, and to manage enterprise professionally through the ways of law. It is also very important to build strict system in finance, human resource, production, marketing, science and information, to fully use the advantages of individuals which are single but very flexible, to optimize inside environment, to improve outside environment, and make

clear goals, to guide SME to develop faster with the good idea of big enterprises.^[3] Finally, to build up learning-styled SME. Learning organization is the key method to enterprise to survive and develop. It is necessary to build up diversified and open learning system, to make responsibility, promotion and innovation to be the premise, and study and discuss surrounding product development, quality improvement, science and technology innovation, and capturing market, so as to build communication platform for sharing and exchanging learning resources, and to encourage staffs to grow and beyond himself during the study, finally increase the core-competitiveness of SME.

3.2 To build up sustainable innovative strategy of culture

The ultimate target of strategic planning of corporate culture is to form the unique value of enterprise through corporate culture building, and then refines it to make it become a famous brand with specific character and powerful vitality.^[3] First of all, the manager is required to put people oriented, and form corporate culture and advanced core value with the special characters of SME. It is vital to focus on staff's own values, respect them, take care of them, and build advanced core value of SME, to make close tie between staff and enterprise, to build team-working spirit through the mechanism of fare competition and improvement of scientific quality of staff members, to form noble sentiment of loving their work and make the office of their home, so as to fully improve core-competitiveness of SME. Secondly, it is important to change old mode of family-styled management, to set up scientific management system, to complete mechanism of enterprise governance, and to run the enterprise or supervise personnel with the idea of modern enterprise system, which means to clear responsibility and authority, protect legal right and benefit of staff, and finally make sure that enterprise could work with healthy. Thirdly, to build long-term goal and mechanism for building corporate culture, that means to make staffs to accept value of enterprise through traditional cultural education and infiltration of corporate culture, so as to form healthy aura of corporate culture. At last, it is very important to maintain good corporate image, to build its own brand of corporate culture, such as idea of credibility and integrity, credit system could both improve the power of SME to affect both inside and outside environment. This could bring the sense of pride and belonging to the staffs, and unify their mind, regulate their actions, which finally form the harmonious, orderly, and positive aura to extend the living space of SME, and increase the competitiveness.

3.3 To build up sustainable innovative strategy of technology

According to Deng Xiaoping, "Science and technology constitutes the primary productive force".^[4] If SME would like to keep sustainable development and long-term competitive edge, it is very important for them to continuously increase the technology content in the product, so as to obtain higher economic increase. So SME could set up their continuous innovative strategy of technology from three ways. Firstly, SME is required to learn imitate innovation. Imitate innovation is the primary stage, which means the SME need to absorb and improve advantages, and avoid the defects in design and function, so as to make the product more perfect, and more popular in the market. Then, SME need cooperative innovation. Cooperative innovation is the intermediate stage of SME, which means SME could cooperate with competitive enterprise, research faculty and supply company in production and research, so as to realize the allocation of innovative resource and marketization of research result, and improve their own level of technology and strength. Finally, SME need independent innovation to raise their ability of innovation. Independent innovation is advanced stage of SME, and is also one of the ways to extend competitiveness by large enterprise. SME could start their own research and innovation on the condition of owning some capital, and build network for supplying raw material and product sales. So SMEs could find their own advantages in the market competition and make themselves invincible.

3.4 To build sustainable innovative strategy of talents

In the process of existence and development of SME, shortage of human resource management has been the obstacle to limit them to compete with large enterprise in domestic and international market. Thereafter, it is very meaningful and realistic for the sustainable development of SME to widen their thought, to renew ideas of human resource management, to define right value of talents following the times, and to set up the scientific mechanism for selecting talents. At first, it is important to form the managerial idea of "people oriented" and right value of talent. The core of economic competition is the competition of science and technology which would rely on the competition of talents.^[5] Therefore, SME is required to put people at the first place, to scientifically make development strategy of human resource which sticks to "people oriented", and to set up scientific mechanism of employment and selection, so as to expect knowledge, to expect talents, to extensively absorb excellent staffs from the society, and bring fresh blood to the enterprises. Then, it is a key role to stick to the personnel training, and fully increase their competitiveness. So the manager is required to start from the development of

enterprise and personnel, to make rational mediate-term and long-term training program according to the change of market and trend of scientific development, to develop intelligence and capability of staffs, and to fully promote quality of staff. Finally, it is also important to set up flexible and effective mechanism of incentive and allocation, so as to ultimately dig their initiative and creation. The ways of incentive would be defined according to the situation of enterprise and personnel, such as spiritual encouragement, material award, promotion, etc. to mobilize their enthusiasm.

3.5 To build sustainable innovative strategy of financing

In order to solve the problem of sustainable financing with innovative way for SME, it has to be done to start from internal cause to enterprise itself and external cause, then to the financing environment. First of all, it has to be done to improve SME' own quality of management, financial management level, enterprise information transparency and the relation between bank and enterprise, so as to strengthen their own quality, to systemize production flow, to make the financial information more transparent, to build financial organizations, capital market and risk investment system for SME, and to speed innovation of financial system, finally to provide financial security for the foundation and development of SME. Thirdly, it is important to get more support from the government, and to make and fulfill laws and regulations for SME, then to protect their legal right with law, finally build up marketing environment with fair competition. Government is also responsible for provide more support for the development of SME through making preferential policies of tax and financial allowance. Finally, it is also very important to build up credit ratings system, which could regulate credit insurance. It would be very helpful to develop commercial credit industry, in order to provide fair and realistic evaluation to the credit of SME. In the meantime, it has to be done to strictly build up system of risk reserve and insurance, to strengthen outside supervision and discipline of guarantor, so as to make unblocked financing channel.

4 Conclusion

Through the start, growth and disappearance of SME, we could say that they are organisms with vitality. So, from the perspective of sustainable development, we objectively analyze five obstacles, internal management, corporate culture, technology, human resource and financing, which existed in SME, and deeply explore the innovative strategy of sustainable development for SME on the base of above. Especially in today which is combined with information globalization, knowledge diversification and economic integration, it is very important and realistic to analyze sustainable development of SME which could extend their vitality. Sustainable development is the target pursued by a company, while innovation is its eternal theme. In the cruel market competition, SME could only continuously study and adapt to the change of the market, so as to keep sustainable existence and healthy development.

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