

System Characteristics Analysis of Enterprise Growth Control

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Abstract The rational choice and determination of the growth control strategy, and structuring the growth control system reasonably to ensure that the process of growing stays in a stable, balanced, continuously profitable and controllable state, are important issues that the theory circle and business circle need to study and solve urgently. This paper applies system theory, control theory and enterprise strategic management theory comprehensively; then combines them with the business practice in our country to conclude the key factors of business growth control, build the enterprise growth control system, and discuss the functions and evolution characteristics of the growth control system in different stages of the life cycle.

Key words Enterprise growth; Growth control; Control system

1 Introduction

Enterprise is a growing organism, and its growth is a process constrained by internal and external factors. In the modern market economy environment, facing the increasing competitive pressure, many enterprises significantly accelerate the operation speed, with its fundamental purpose not only to raise short-term benefits, but also to increase the value of the company so as to achieve the growth targets. However, many companies striving for growth just get a "market share growth" rather than "valuable, profitable growth", or the expansion of rapid growth followed by rapid decline or even disappearance, or in the development process with drastic shocks between profit and loss. This phenomenon growing out of control is widespread. As the current growth environment is complex and volatile, strict and effective control is a key to achieve organizational development and strategic goals. The rational choice and determination of the growth control strategy, and structuring the growth control system reasonably to ensure that the process of growing stays in a stable, balanced, continuously profitable and controllable state have become important issues of enterprise strategic management. Based on the above considerations, this paper will systematically analyze the main factors affecting business growth, build corporate growth control system, and thus discuss the functions and evolution characteristics of the growth control system in different stages of the life cycle.

2 Enterprise Growth Control and Its Influencing Factors

The so-called enterprise growth control, refers to the process that with the objective of enhancing the dynamic competitive and environment adaptive ability, the enterprise monitoring the related environmental and growth factors, correct the deviation timely or innovate (adjust) growth path to ensure that enterprise development stays in a stable, balanced, sustained profitable state around the implementation of enterprise strategy^[1]. To achieve growth control, we must first determine the main factors affecting business growth. This paper applies systems theory, control theory, quality management and internal control management theory comprehensively^[2]; then combines them with the business practice in our country to induce that the key factors of business growth control are the external environment, resources and capabilities, future vision, strategic border, organizational systems and strategic risks, as shown in figure 1.

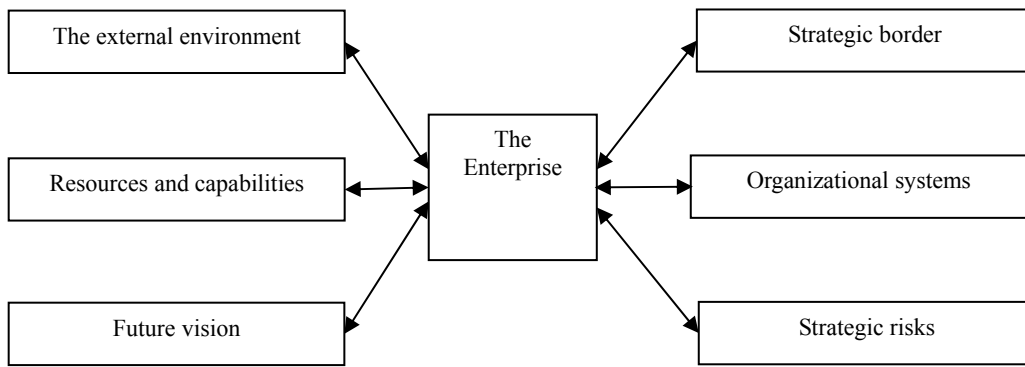


Figure 1 Schematic Diagram of Control Elements in Enterprise Growth

3 Composition of Enterprise Growth Control System

As mentioned above, the main factors of enterprise growth control are the external environment, resources and capabilities, future vision, strategy borders, organizational systems and strategic risks. To realize the control of enterprise growth, these growth factors must be effectively managed. Accordingly, the basic structure of enterprise growth control system is proposed, which is shown in Figure 2.

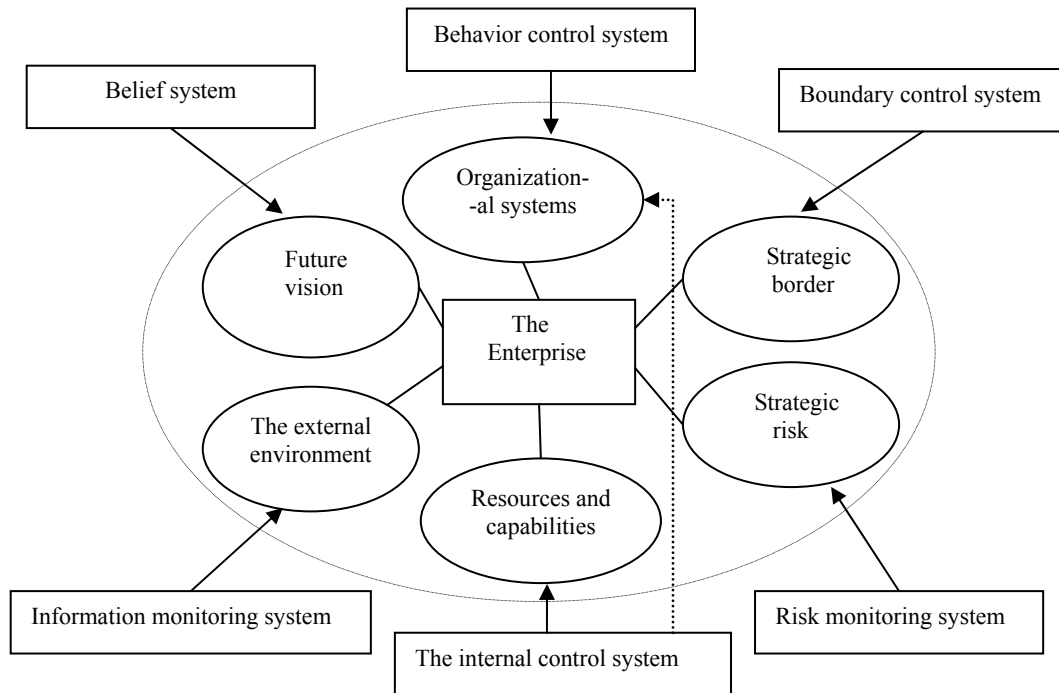


Figure 2 Schematic Diagram of Enterprise Growth Control System

As can be seen in Figure 2, the core is the enterprise, shows that this control system is used to help to achieve business growth. The second level (the factor level) is the six controlling factors. To achieve successful business growth, these elements must be controlled and managed. These factors are under the control of six subsystems separately, forming the third level (the control layer).

3.1 Belief system

This system is used to clearly propose the vision of the future, provide basic values, organizational goals and guidelines, encourage exploration, and provide impetus, guidance and restraint for business growth. The fact shows that the moral risk in strategic level is often the greatest risk leading the enterprise growth to runaway or a recession, while this risk can not be completely controlled by any institution of corporate behavior control system or internal control system^[3], and it's difficult to avoid

the corporate credit crisis. In addition to continuous improvement in the institution and procedures, one important way to solve the problem is to strengthen the guidance and services based on values, integrate culture and vision organically, and form a strong belief system to lead companies to grow properly.

3.2 Border control system

This system is used to clearly define corporate strategy development field, and determine the scope of strategic objectives. In addition, in combination with behavior control system, the acts of the employees can be restricted and prohibited according to the formal guidelines. Specifically, restrictions on border control system is mainly in two aspects: first, the restrictions on strategic border, with the purpose to make sure that all the limited attention, resources and capabilities of the company can be used on the strategic objectives and the main line of the business; second, the restrictions on employee behavior, with the purpose is to restrict the behavior of each employee to the scope within the border system.

3.3 Information monitoring system

This system is used to scan the external environment of enterprises, monitor the market demand trends, competitors and legal policy. In combination with the risk control system, we can find and analyze the uncertainty strategy which may have a significant impact on enterprise development timely so as to consummate adjust enterprise strategy. At the same time, for internal, it is used to support the behavior control system and internal control systems.

3.4 Risk monitoring system

This system should be closely integrated with the information monitoring systems, to monitor the external risks. At the same time, support the internal control system, and monitor the major risks from the enterprise.

3.5 Internal control system

This system is used to protect corporate assets against theft or accidental loss, ensure the reliability of accounting and financial data, collect the cost and accounting information of the internal operation condition, compare the information with the objectives in order to detect and correct the deviation timely.

3.6 Behavior control system

As the backbone of the traditional management control system, behavior control system is a feedback system which focuses on implementation and aim at ensuring the achievement of corporate goals. After the determining and reasonably decompose the organizational objectives, the actual performance would be compared with the scheduled performance in use of the information provided by information systems and the principles of PDCA and process control, then correct the deviations to achieve the desired strategic objectives.

4 Evolution Characteristics of Enterprise Growth Control System

From the view of single function, each of the six subsystems can play a role independently, but the area and growth factors that can be effectively controlled is limited. Only if these six subsystems support each other and constitute a complete system the overall enterprise growth can be effectively controlled^[4]. In addition, from the view of business growth, the use of different growth controlling subsystems is different in different stages of development. In accordance with the enterprise life cycle, the company's growth process is divided into three stages of initial, growth and maturity. In different stages, enterprise growth control system shows different evolution characteristics.

4.1 Growth control of the initial stage

In the initial stage, the enterprise is small with less staff and simple organizational structure and market / service process. Basically it does not need formal control system. In pioneering stage, the relationship among employees and the relationship between managers and subordinates are very cordial, and the communication is direct and convenient. So even without computer information system, the enterprise can be well controlled. At this point, the only control system is the accounting system (the internal control system) which ensures accuracy and effectiveness of the accounting data and financial reports as well as the safety, preservation and appreciation of corporate assets.

With the growth and expansion of enterprise, the original management in which the power is centralized in the founder of the enterprise would lead to an autonomy crisis, and the power will trend to decentralize. In order to control the business effectively, management systems, business process and powers-responsibilities system begin to be popularized and applied. Enterprises must establish and apply behavior control system (including formal information system) and incentive and restricted

mechanisms for control purpose.

4.2 Growth control of the growth stage

In the late growth period, the market and competition field of the company has expanded larger, management level and management range also increase, organizational structure is also expanding, decentralized authority is not conducive to the overall control of the enterprise. At this point, the values, management philosophy and style preliminarily form into corporate culture which continues to spread, and gradually form a strong belief system leading the development of enterprises. Meanwhile, the development of enterprise leads to new opportunities. In order to concentrate on the established strategic areas, border control system would gradually play a roll.

4.3 Growth control of the maturity stage

In the maturity period, strict management system will lead to bureaucracy, and the external environment brings not only the development opportunities, but also the increasing competitive risk. At this time, the strengthening of information monitoring system and risk monitoring system will help to overcome the crisis of the stage. In this way, the six subsystems work together with mutual collaboration, and control the formulation and implementation of the strategy to push the development of business up to a new level and into the next life cycle.

In all stages of business life cycle, growth control is generally but not absolutely carried out by the order of the evolution mentioned above. Any manager who committed himself to control the entire development process may strengthen the control an area consciously as a result of accidents or major crisis, and consequently accelerate or retard the evolution of the growth control system.

5 Conclusions

Through the analysis, this paper believe the six factors that affect enterprise growth control are external environment, resources and capabilities, future vision, strategy borders, organizational systems and strategic risks. Based on this, the paper construct enterprise growth control system composed of three levels and six subsystems including belief system, border control system, information monitoring system, risk monitoring system, internal control systems and behavior control system, and then analyzes the effect and operation mechanism of the six subsystems. Finally, the paper analyzes and proposes the evolution and system characteristics of the enterprise growth control system in different stages of the enterprise life cycle. The conclusions above provide a reference for Chinese enterprises to strengthen the growth control and achieve sustainable growth.

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