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Study on the Development Of “special, Elaborative, Characteristic and Innovative” Road Based on Small and Micro-sized Enterprises-A Case Study of Jiangsu in China

Liu Chang-Nian, Zhang Yin-Yin and Wang Ran
School of Management, Jiangsu University, Zhenjiang, Jiangsu 212013, China

Abstract: In this study, we define the concepts of “Special-elaborative-characteristic-innovative” (hereinafter referred to as SECI) on the basis of Small and Micro-sized Enterprises (hereinafter referred to as SMEs) and make the analysis of conceptual model for SECI. We hold that SECI may be a new transformational development road for SMEs. We study the current situation of SECI for Jiangsu SMEs through the questionnaire method. Finally, we put forwards some specific countermeasures.

Key words: Special-elaborative-characteristic-innovative, transformation and development, Small and Micro-sized Enterprises

INTRODUCTION

Small and Micro-sized Enterprises (hereinafter referred to as SMEs) play an irreplaceable role in many aspects such as increasing employment, promoting economic growth, technological innovation and social harmony and stability which have become an important force in the national economy and social development. Also, China has given highly attention on the development of SMEs. Since 2011, government departments at all levels has released a series of measures with SMEs. Jiangsu Province will vigorously support the transformation and upgrading of SMEs and achieve the sustainable development as a basic strategy on economic development. However, the existing research results (Fan and Zhu, 2003; Cai *et al.*, 2005) on the development of SMEs cannot meet their growing requirements. Early scholars interpreted SECI separately. “Special” mainly refers to specific strategies. Smith proposed the division of labor and specialization and encouraged enterprises to engage in a professional work. Michael Porter proposes specific strategies, in order to obtain the core competitive advantage (Prahalad and Hamel, 1994). Gibcus and Kemp (2003) believe small businesses prefer to use a specific development strategy. “Elaborative” mainly refers to lean production and meticulous management. The success of the Toyota made the lean production spread rapidly in worldwide and gradually evolved into a society-technology integration system (Shah and Ward, 2007). The widespread adoption of ISO9000 has become core themes of Europe’s

small businesses. Hu and Han (2001), Wang (2012) and Zhou and Xu (2012) hold that any production system in China may adopt lean production methods to improve production efficiency. “Characteristic” refers to the character, uniqueness. He (2010), Zhang and Zhang (2010) and Xing *et al.* (2009) consider characteristics of enterprises, including product characterization, image characteristics, market service characteristics. Burns and Warren (1995) propose that the uniqueness has impact on consumers’ preferences for product choice. “Innovative” means innovation, Schumpeter believes that innovation includes new products or new features, new production processes, new markets, new materials, new forms of organization. Freeman proposes that the new products, new processes, new systems and new services are all innovation. Xu *et al.* (2006) puts forward a new pattern on the total innovation management of business growth. Also, some scholars regard “special-elaborative-characteristic-innovative” as a whole. Dong (2011) says that “special” means highly specialized division, “elaborative” means excellent quality, excellent attitude and management system, “characteristic” means characteristic and “innovative” means innovation. Li (2011) believes “characteristic” means unique or better and “innovative” means innovation. Li (2012) considers “special” means specialization, “elaborative” means sophisticated management, “characteristic” means unique or better; “innovative” means innovation. Overall, the definition of SECI in Academia means specification, sophisticated management, characteristics and innovation.

“Special” refers to the specialization, including specialized technical or unique resources, professional technical team and specificity of the market. Specifically, refers to exclusive technology or proprietary technology, specialized products or services in enterprise. “Elaborative” means excellence, including sophisticated technology, precision manufacturing process, the refinement of management processes and sophisticated products or services. Specifically, as a whole, the enterprise has excellent management culture, adopts sophisticated technology, precision manufacturing processes to manufacture products or services in order to provide excellent products or services for customers. “Characteristic” refers to characterization, including the appearance of the product characteristics, technical characteristics and functionality characteristics. “Innovative” refers to innovation, including product innovation, process innovation, market innovation, institutional and management innovation. Specifically, refers to the whole process of technological innovation, system innovation, standard innovation in enterprise. In this study, proposing new ideas about the way of development, called ‘Special-elaborative-characteristic-innovative’ (hereinafter referred to as SECI) based on the characteristics of SMEs.

Accordingly, this article presents ways and countermeasures about SECI through theoretical and empirical research based on a case of SMEs in Jiangsu, the research results have certain practical value.

THE CURRENT SITUATION OF SECI FOR JIANG SU SMES

Currently, it is difficult to quantitative description for the situation of SECI for Jiangsu SMEs due to lacking corresponding statistical indicators and statistical data. This article wants to select more than 300 SMEs with the middle growth level in Zhenjiang as the sample in order to analyze the situation of SECI for Jiangsu SMEs and have a relative and reasonable understanding for the situation of SECI for Jiangsu SMEs with the help of questionnaires. The questionnaire is based on Li Kert scale and adopts “five-point”, where 1 means totally disagree, 2 means disagree, 3 represents not necessarily, 4 means agreed and 5 means fully agreed.

THE SURVEY RESULTS ON SECI

The survey results on “special”: Results show that the average “special” is still in a low state. Among, the mean

Table 1: The survey results on “special”

	N	AVG	SD
Customer-specific Stability	296	3.51	0.721
Highly complementary knowledge and technology team	297	3.56	0.742
Hold specialized technical knowledge	296	3.21	0.792
Exclusive patent?channel	297	2.45	0.881
Effective N (List State)	295	3.18	

Table 2: The survey results on “elaborative”

	N	AVG	SD
Obtain more information than competitors	295	2.84	1.169
Low fixed costs and Variable coats	296	3.18	1.029
Control level on costs, prices andsales	296	3.59	0.674
The importance of value-added products for enterprise development	296	3.63	0.653
High level of internal organ-ization and management	296	2.98	0.777
Continue to improve after-sales service	295	3.78	0.697
Effective N (List State)	293	3.33	

Table 3: The survey results on “characteristic”

	N	AVG	SD
Product characteristics stability, life cycle longer	297	2.90	0.918
Fewer potential entrants	296	2.76	0.971
Less threat of substitutes	296	3.69	0.903
Effective N (List State)	295	3.11	

of professional team that owns high complementarity of knowledge and technology is 3.56 which illustrates the degree of attention for professional technical team as shown in Table 1.

The survey results on “elaborative”: The mean of “elaborative” is between 2 and 4 which demonstrates average “elaborative” is still in a low state. The data demonstrates that SMEs have paid more attention to product process and done relatively elaborative in this areas as shown in Table 2.

The survey results on “characteristic”: The mean of “characteristic” is between 2 and 4, especially and the means of fewer potential entrants just is 2.76 which indicate that the characteristic of SMEs may be prominent, easily replaced by corporate entrants and they have low ability to undertake market risk as shown in Table 3.

The survey results on “innovative”: The mean of “characteristic” is close to 3.34. The maximum mean of adopting new technology rapidly aim at developing new products is 3.66 which indicate that the whole SMEs groups survey have put emphasis on technological innovation, product innovation or

Table 4: The survey results on “innovative”

	N	AVG	SD
Adopt new technology to launch new products rapidly	296	3.66	0.782
Adopt more new technology	295	3.09	0.828
High proportion of new product revenue	297	3.35	0.907
Rapid growth in the number of new product development	297	3.26	0.849
Effective N	294	3.34	

process innovation, but the intensity of practice is still not enough as shown in Table 4.

SMES-RELATED IMPLEMENTATION COUNTERMEASURES

Improving SMEs-related innovation ability: The core of implementation of SECI for Jiangsu SMEs is the improvement of innovation ability. To achieve this goal, we should undertake the following steps. Firstly, SMEs should fully play the principle role of technological innovation. SMEs should put more into innovation, creating more new products with independent intellectual property or proprietary technology continuously. SMEs should also support companies to establish more innovation institutions such as the R&D center and technological center, so as to solve the problem of weak foundation of SMEs’ innovation. Secondly, SMEs should attach more attention to building open innovation model for SMEs, in order to ease the bottleneck of lack of innovate resources. Knowledge inside and outside of enterprises should be integrated to promote the innovation ability of SMEs. SMEs should have access to the establishment of long-term cooperation mechanism of complementarities, risk sharing and benefit sharing, promoting the cooperation between SMEs, universities and research institutions, forming an alliance to enhance the level of the cooperation and deepening the cooperation. Thirdly, SMEs should actively implement the strategy of intellectual property protection. Enterprises ought to carry on the effective work on aspect of usage and protection of intellectual property, patent application and brands cultivation. Finally, SMEs should cultivate some SMEs of SECI owning competitive advantages. The government should provide more favorable fiscal policy and taxation policy to SMEs for their transformation and development.

The implementation of SECI is a breakthrough point for the transformation of SMEs. In order to achieve the goal, policy system should firstly be established and improved to promote the transformation and upgrading of SMEs. Since the year 2008, the central government and Jiangsu government have adopted a range of favorable policies to support the transformation and upgrading of

SMEs, such as “The interim measures on national procurement to promote the development for small and medium-sized enterprises”, “Guidance on promoting transformation and upgrading of processing trade” and “Plan of promoting the project of transformation and upgrading”. In order to achieve objective, SMEs should conduct the following plans. On the one hand, China should seriously implement the relatively supportive policies, especially financial subsidies and tax relief, to ease the burden of SMEs. On the other hand, China should absorb experiences in the developed countries and typical developing countries and adopt new implementation and new policies supportive to the transformation upgrading of SMEs. Secondly, China should gradually expand the credit scales of SMEs. China should promote the closely cooperation with both state-owned commercial banks as ABC and private-owned commercial banks as Bank of Communications, Hua Xia Bank and Min Sheng Bank, so as to actively establish a docking platform for banks and enterprises and encourage banks to increase credit delivery to projects of SMEs, especial projects of SECI. Thirdly, China should improve the credit guarantee system of SMEs. The government should continuously encourage social capital to establish private credit guarantee institutions, standardize the operation mechanism and management mechanism of the guarantee institutions, encourage them to provide financing guarantee for SECI projects of SMEs. More work need to been done to broaden SMEs financing channels. Fourthly, China should explore financing channels as equity financing, lease financing and equipment mortgage. Lease financing ranked only second to credit in developed countries which is quick, easy and flexible to SMEs.

Improving the capacity of SMEs for collaboration with large and medium-sized enterprises: The “large-collaboration, small-scale” is the key point for SMEs’ implementation of SECI. To achieve this goal, China should firstly build a specialized collaboration platform. The collaboration between SMEs and large and medium-sized enterprises can achieve a win-win goal. Because SMEs of SECI are needed to make the cooperation with the large and medium-sized enterprises, it’s of vital importance to build a collaborative platform of multifunction, distinct division and reasonable system. Secondly, China should encourage large enterprise on the central position to take a collaboration road on the base of large projects or large programs. In this collaboration system, the operation strategy of central large enterprise directly affects the development direction of the matched SMEs of SECI. Therefore, the government must guide the

large enterprises to take a collaborative pattern purposely, so as to build a collaboration network led by large enterprises or participated by SMEs. Thirdly, China should provide more support to the “hidden champion” companies. China should cultivate key company of SMEs which collaborate with the large and medium-sized enterprises, expand the field of collaboration and gradually extend, specialize and broaden the industrial value chain, so as to improve SMEs’ collaborative capacity by cultivating some “hidden champion” companies.

Cultivating driving force for SMEs-related transformation and upgrading: SMEs of SECI are the new driving force for the transformation and upgrading. They play a leading model role in SMEs. To cultivate these featured SMEs, firstly, China should provide more fiscal, financing and social support, promote the collaboration, especially on the aspect of capital, between SMEs of SECI and other enterprises from home and abroad and help achieve their upgrading of industrial structure. Secondly, China should improve SMEs’ overall competitiveness based on enterprise cluster. On the basis of the platform of industrial park and high-tech development zone, China should pay attention to cultivate cluster of SMEs of SECI which feature complementarity, vigor and unique advantages and ensuring the cluster’s effect and demonstration effect.

Establishing and improving public service platform system for SMEs: A supportive implement for the development of SMEs of SECI is to improve social service system. Providing continuously technological help and kinds of technical service projects, the government can establish the technical service network and transfer from resource sharing platform to innovation supportive platform more conveniently in term of data and facilities sharing. Following market mechanism, the service platform can optimize technological and science system and improve the effective integration of science and economy, promoting the transformation of scientific and technology achievement and rational flow of scientific manpower. A lot of SMEs can effectively promote the transformation from scientific and technological achievement to new technology and SMEs’ ability to produce the featured product and reduce the risks and costs of SMEs’ innovation.

Planning and conducting SMEs-related brand development strategy: In the era of economic globalization, brands have become the key to participating market competition both home and broad and the

direction of outcome for the SMEs’ implementation of SECI. Nowadays, SMEs’ brands lack market value, popularity and brand premium. To solve the problem, the countermeasures are followed. Firstly, SMEs should increase brands awareness and continuously improve SMEs’ capacities of management and usage of trademarks and brands. Secondly, SMEs should implement brand innovation strategy and endeavor to create popular brands. SMEs should put more resources to brand innovation and cultivate promising enterprises, realizing the upgrading process of no-name brand, weak brand, low value-added brand, famous brand, powerful brand and high value-added brand. Thirdly, based on the enterprise cluster, especially the SME cluster of SECI, SMEs should cultivate product brand, industrial brand and regional brand with powerful influence in the market both from home and abroad, making the SMEs cluster more popular, more influential and own more market share.

CONCLUSION

SMEs in China are confronted with a breakthrough point of their transformation and development. It’s always a theoretical and practical subject on how to leave the difficult position on the bottom of global value chain, how to climb to a higher position of the chain and how to realize the transformation of SMEs in China, the implementation of SECI is a feasible path for SMEs’ transformation and upgrading.

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