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On the Experience Strategy of Small and Medium sized Enterprises in China

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Abstract

Business strategy is an overall plan for a company to seek long-term survival and continuous development in the face of a fiercely changing and challenging environment; It is the concentrated embodiment of the enterprise's strategic thinking, the scientific regulation of the enterprise's business scope, and the basis for formulating plans; More specifically, business strategy is to determine the relationship between the enterprise and the environment, define the scope of the enterprise's business, growth direction, and competitive strategies, reasonably adjust the enterprise structure, and allocate all resources of the enterprise based on the conditions that meet and ensure the achievement of the enterprise's mission, fully utilizing various opportunities existing in the environment and creating new opportunities; From the perspective of its formulation requirements, business strategy is to evaluate the current and future environment with opportunities and threats, evaluate the current situation of the enterprise with advantages and disadvantages, and then select and determine the overall and long-term goals of the enterprise, and formulate and decide action plans to achieve the goals;

Keywords: small and medium-sized enterprises; business strategy

Introduction

Small and medium-sized enterprises have become an important carrier for the common development of various ownership economies in China, and business strategy is the most effective method and foundation to achieve the vision and goals of small and medium-sized enterprises. This article analyzes the current situation of business strategies for small and medium-sized enterprises, combined with the characteristics and practical situation of small and medium-sized enterprises in China, and provides a specific introduction(Hamari,2021)

Analyzed three types of business strategies that small and medium-sized enterprises can adopt, including virtual operation, strategic alliance, and cross-border operation. Through the analysis and exploration of small and medium-sized enterprises in formulating and implementing business strategies, this article attempts to provide thinking and reference for the development of small and medium-sized enterprises in China (Pei-Wen Lin,2019)



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1. Strategic choice to achieve external economies of scale

It is generally believed that the lack of economies of scale advantage is a significant disadvantage of small and medium-sized enterprises compared to large enterprises in the development path of "small and group" small and medium-sized enterprises. Unlike the economies of scale that arise from internal division of labor and specialization in large enterprises, small and medium-sized enterprises can also achieve economies of scale through geographical industrial clustering, that is, based on external division of labor and specialized collaboration.(Nasrudin,2022) For example, in the external impression of Zhejiang's economic development, which is dominated by small and medium-sized enterprises, an important background is based on one township, one county, one product, and even one city, which concentrates the production and operation activities of many similar enterprises in a certain area. As a result, the production and transaction costs of these enterprises continue to decrease with the expansion of the industrial scale in the entire region, and the economic benefits greatly improve, Effectively constitutes its competitiveness in both domestic and foreign markets. It can be seen that through enterprise clustering, it can promote cooperation between them to save transaction costs and intermediate costs, reduce production inputs, improve economic efficiency, and change the disadvantaged position of individual small and medium-sized enterprises due to their own scale. It can also take advantage of the characteristics of the production and operation of the same product within the cluster, forming a "regional economies of scale" with industrial characteristics, effectively driving local economic development. (Li, X., & Chen, X,2021)

2. Implementing a collaborative management strategy of "small and specialized" and "small and matched" (Miller,2022)

On the one hand, establishing stable and close cooperative relationships with large enterprises through division of labor and specialization has become an integral part of a large-scale and centralized production system. This is one of the most basic ways for small and medium-sized enterprises to survive and develop in fierce competition. It is not only conducive to improving specialized production technology, ensuring product quality, but also enables small and medium-sized enterprises to reduce production and operation costs and obtain economies of scale benefits; On the other hand, the development of large enterprises also relies on small and medium-sized enterprises that provide them with component production and services. (Möhlmann, M.2015) Ford and General Motors in the United States have established various collaborative relationships with 40000 and 62000 small and medium-sized enterprises, respectively. In Japan, Panasonic, Hitachi, Toshiba, and other companies, 70% of the components in their products are also provided by small and medium-sized



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enterprises. Under the current market economy conditions in China, with the transformation of economic growth mode, domestic SMEs should abandon the "small and complete" and "small and scattered" business models, jump out of the pattern of extensional expansion, avoid Diseconomies of scale, strive to become a peripheral enterprise matching the production and operation of large enterprises, provide relevant supporting services for large enterprises, and rely on the scale economy advantages of large enterprises, gradually go to the small to make up for the large, specialized and specialized A virtuous development path of winning with precision.

The research scope of this article is small and medium-sized enterprises in the northwest region in China. We found:

1. The operational advantages of small and medium-sized enterprises in northwest China Compared to large enterprises, one of the primary characteristics of small and medium-sized enterprises is their small scale and high concentration of decision-making power. Especially small enterprises, which are basically self operated by each household, fully reflect the motivation of capital to pursue profits in the enthusiasm of operators. Due to the sensitivity of operators to the ever-changing market, implementing the integration of ownership and management rights can not only save owners' supervision costs, but also facilitate rapid decision-making by enterprises. Secondly, small and medium-sized enterprises have a relatively small number of employees and a simple organizational structure, making it easy to identify individual contributions within the enterprise. This makes it easier to effectively motivate employees, unlike large enterprises that are prone to laziness and inefficiency within a large hierarchical organization. It can be seen that small and medium-sized enterprises have greater flexibility and flexibility in business decisions and personnel incentives compared to large enterprises, thus being able to respond quickly to constantly changing markets. The so-called small enterprise, strong motivation, flexible and efficient mechanisms. When some large companies and multinational corporations have to reduce their production scale in the context of the global economic downturn, small and medium-sized enterprises are constantly adjusting their business direction and product structure, obtaining new development from it.(Shenyang Municipal ,2015)

2. 'Small yet specialized' and 'Small yet refined'

Small and medium-sized enterprises, due to their small scale and relatively limited human, financial, and material resources, are unable to operate multiple products to diversify risks and compete with large enterprises in the large-scale production of a certain product. Therefore, they often invest their limited human, financial, and material resources into small



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markets that are overlooked by large enterprises, focusing on the operation of a certain small product to continuously improve product quality and production efficiency, in order to establish a foothold in market competition, In order to achieve greater development. (Sinha, A., Sagar, M., & Singh, H., 2020)

From similar successful experiences in various countries around the world, it can be seen that selecting niche markets that enable enterprises to leverage their own advantages for specialized management, and pursuing a growth path of specialization to fill gaps, small to large, and specialization to win, is one of the most effective ways for many small and medium-sized enterprises to survive and develop in fierce competition. In addition, with the development of specialization and collaboration in social production, more and more enterprises are breaking away from the organizational form of "large and comprehensive" and "small and comprehensive". Small and medium-sized enterprises establish close collaborative relationships with large enterprises through specialized production, which not only objectively and effectively supports and promotes the development of large enterprises, but also provides a reliable foundation for their own survival and development. (Sundararajan, A. 2016)

3. Small batch, diversified

Generally speaking, large-scale and simplified product production can fully leverage the equipment and technology advantages of huge investments, but large-scale single varieties can only meet the main needs of social production and people's daily lives. When certain personalized needs arise in small batches, large enterprises often find it difficult to meet them. Therefore, in the face of the increasingly prominent individual consumption needs of people in today's era, the production of consumer goods has shifted from mass production and simplification to small batch and diversification. Although small and medium-sized enterprises, as individuals, generally have the disadvantages of a single business variety and low production capacity, overall, due to their large volume, multiple locations, and wide industry and geographical distribution, they have the advantages of being close to the market, close to customers, flexible mechanisms, and quick response. Therefore, they are conducive to adapting to the diverse and ever-changing consumer needs; Especially in the field of retail commerce, the scattered and diverse daily consumption needs of residents can be met through the flexible service methods of thousands of small and medium-sized enterprises. (Sundararajan, 2016)

4. The fastest-growing technological innovation force

Starting from the development of new small products, small and medium-sized enterprises are the fastest-growing technological innovation force



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Modern technology has two impacts on the development direction of industrial technology equipment and products. On the one hand, it is moving towards large-scale and centralized development; On the other hand, it is developing towards miniaturization and decentralization. The miniaturization and decentralized production of products provide favorable conditions for the development of small and medium-sized enterprises. Especially under the conditions of the new technology revolution, many founders of small and medium-sized enterprises are often technology personnel from large enterprises and research institutes, or university professors. They often integrate managers, owners, and inventors, and can immediately put new technological inventions into practice. Because of this, since the 1970s, new technology-based small and medium-sized enterprises have emerged like mushrooms after a rain. They have achieved great success in fields such as microcomputers, information systems, semiconductor components, electronic printing, and new materials. Many small and medium-sized enterprises have rapidly grown into world-renowned large companies such as HP, Microsoft, Yahoo, Sony, and Xerox in just a few or more years. (Sutherland, W., & Hossein Jarrahi, M., 2018)

Conclusion

Through this study, we have developed an effective strategic approach

The process of formulating a business strategy includes the following steps:

1. Determine goals; Setting goals includes examining and understanding the organization's mission, establishing goals that concretize the mission; Since target selection will occupy a lot of resources of the organization and affect many other activities of the organization, this is a Committed step; The values of managers can affect the choice of goals;

2. Identify current strategies; Analyze whether the current strategy of the organization is consistent with its mission and goals; If the mission and goals of an organization undergo significant changes during the goal setting process, or if the mission and goals of the organization cannot be achieved using current strategies, it is necessary to re identify the organization's strategy; The analysis of this step may reveal the shortcomings of the organization's lack of clear strategy; (Sutherland, W., & Hossein Jarrahi, M., 2018)

3. Environmental analysis; Understanding organizational goals and current strategies provides an analytical framework for determining the impact of environmental factors on the achievement of organizational goals; Organizational environment includes general environment and task environment; The general environment consists of economic environment, technological environment, political environment, social environment, ethical environment, legal environment, natural environment, etc. Their impact on the organization



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is indirect; The task environment includes competitors, suppliers, customers, investors, government, labor, and other aspects, which have a direct impact on the achievement of organizational goals; Environmental analysis is the process of recognizing the threats and opportunities faced by enterprises based on analysis;

4. Resource analysis; Organizational goals and current strategies also provide a framework for analyzing organizational resources; Resource analysis mainly analyzes the current situation or capabilities of an organization in production, marketing, finance, technology, and management; Resource analysis mainly identifies the strengths and weaknesses of an organization that distinguish it from other competitors in these aspects;

5. Determine the degree of strategic change; By analyzing the environment and resources, it is possible to predict the results of continuing to implement the current strategy; Based on the predicted results, managers can decide whether to modify the strategy; This decision depends on whether there is a performance gap; (Y, 2019)

6. Strategic decision-making; If it is necessary to change the strategy to narrow the performance gap, then it is time to develop a new strategic plan;

7. Implementation of strategies; Once a strategy is made, it must be implemented, that is, implemented into the organization's business activities; This is because even the most brilliant and creative strategies will not benefit the organization unless effectively implemented;

8. Strategic control; In the process of strategy implementation, the manager must check the implementation progress of the strategy regularly or at the Key Stage; (Y, 2019)

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