Analysis on the Evolution Strategy of the Medium Small Businesses in China in the New Economy Conditions

Zhihong Li*

Business School, Jiang Han University, Wuhan, Hubei, P. R. China, 430056, China

*Corresponding author. Email: linanwudingbang@163.com

Abstract. The new economy has been rapidly penetrating all fields of people like life, production, etc. This change is a big challenge to the medium small businesses in China. Where do the medium small enterprises go? This is a grave question for them to select. So, aiming at this question, the paper first introduces the situation of the new economy and its influence to the economic society, then analyzes the opportunity, threat to the medium small enterprises, expounds the advantages and disadvantages of the medium small enterprises, on which the paper puts forward some strategies for the medium small businesses to go forward.

Keywords: medium small businesses, evolution strategy, new economy conditions, China.

1. Introduction
With the rapid development of the science & technology like information, network, the big data, the artificial intelligence, new materials and new energy, etc and with the aggravation of the trade friction, the new global industrial division of labor and the new trade layout in the world are being restructured. During this process, the new economy pattern such as green, digital and intelligent, etc will become the core forces of the industrial transformation and upgrade. In the light of the concerned research, by the end of 2025, these new economies may occupy 50% of GDP and their contribution will surpass 80% of the economic growth [1]. In the circumstance of the new economy, where do the medium small enterprises in China go? It is a question to be or not to be and worth to be further discussed.

2. The opportunity & threat faced by the medium small enterprises in china in the new economic situation

2.1. Opportunities
First, the policies or regulations made by various levels of the governments offer many chances to the medium small enterprises. The administrative institutional reform has greatly lessened the burden of the medium small businesses, for example, 44% of the administrative approval formalities in the relative central governmental departments in 2018 were cut down, the non-administrative approval ones were completely terminated and so on. The funds to develop the medium small enterprises like the Promotional Laws for the Medium Small Enterprises and the tax preference have given them much new energy. By the end of the September 2018, the reduction of the value-added tax had reached 238.64 billion yuan. Also, the financial supervision and inclusion, etc have much improved the financial
conditions. The legal interests for the medium small businesses in charges, on-site inspection, etc have been preserved.

Second, the typical feature of the new economy is that the information technology has been widely and deeply applied in all the social and economic fields, which can give the chance to the medium small enterprise to self-disrupt-innovate. The new generation technologies like the big data, mobile internet, industrial internet and internet of things, etc have been evolving so fast that they have been re-engineering the global economy and changing the life style of people in the world. According to the relative research, the global digital economy got to $1290 billion in 2017, occupying 16% of the global GDP [2]. Based on the Report of the China Information Communication Research Institute, the digital economy in China reached $2720 billion (only less than that of USA), occupying 32.9% of its GDP with a contribution rate of 55% to its GDP. The appearance and quick growth of these technologies and market has given birth to the new commercial model and also is changing the traditional one so that new industries such as purchasing on Internet, express delivery, etc, are being formed. The medium small enterprise can make full use of all these changes to find a niche market to survive.

2.2. Threats
Trade protectionism and regional disputes cause many uncertainties for the medium small businesses. Because of the continuous trade friction, the foreign trade to some enterprises have been reduced. From January to October, 2018, PMI of the medium small enterprises in China had been fluctuated around the survival line [3].

In 2019, the ongoing trade protectionism and the regional dispute made the medium small enterprise facing more uncertainty circumstances, in which the medium small businesses lived a hard time. Then, as China further open its market, the economic globalization makes the medium small enterprises facing more and more serious market conditions. That the foreign businesses keep on surging in China forces them obliged to meet with much competition. Also, when they try to go abroad, they have to face lots of obstacles like tariffs or non-tariffs.

Next, the fast development and application of the science and technology lets it possible for the medium small enterprises ousted at all times if they are unable to keep pace with it. But the biggest problem is that they are insufficient of funds. To go with the science and technology, much investment is needed. Moreover, it is more difficult for the medium small enterprise to raise funds than the large company.

3. Advantages and disadvantages of the medium small enterprises in china in the new economic conditions

3.1. Advantages
Low cost of transfer. In the new economic situations, the new economic model can bring boundless commercial chances for the production, operation and innovation of the enterprises. The big company, because of its massive size, is not so easy to transfer from the traditional economic model to the new economic style whether in production or in commercial operation. However, the medium small businesses are more flexible to change their traditional style to adapt to the new economic conditions. The traditional production and operation runs like this: it must make an investigation in the market for the producer, then design new products based on the customer’s needs and finally produce in batches. But in the new economic model, the distributional production will substitute the production in large scale and the distributional manufacturing network can be found anywhere you like. The consumer will become the main body in the product design and production. The enterprise is only the node of the manufacturing network, which mainly provides the convenience for the customized processing. The 3D printer today is one of the technology that help to realize this target. The medium small enterprises should take advantages of their low cost in transferring to capture the chance to become one of the nodes in the making network [4].
3.2. Disadvantages
At present, the new economy is at its start and the new stable industrial system is to be formed. It is difficult for the medium small businesses to judge in which direction it will evolve and what are its core technologies. They have to seek for their own path to develop and must face many uncertainties. And in different regions and in different stages of the economy, the new economy shows itself various traits. The medium small enterprises in the different situations should formulate their own strategic position and path based on the concrete conditions. All these make the medium small businesses hesitate to deny themselves and find a new way to survive.

Then, some management issues hinder their sustainable development. The most serious problem is their family style and boss’ management level. This kind of the management style can’t keep the ownership of the enterprise from the managerial authority. As a result, the relative institutions and normalization either in the basic management or in the operational management are lack so that they can’t make scientific decisions for the product, market, and so on. Let alone they may pay attention to the human resources and R&D. Therefore, they locate in the low end of the industrial chain with low value in the long run and are less competitive. As the global economic environment is changing and that the policies in the energy saving and environmental protection are being formulated, the medium small businesses are hard to go forward if unchanged, either.

What’s more, the difficulties for the medium small enterprises to finance have not been well resolved for a long period. Even if they have found a good item, they can’t step forward because of the lack of the funds. It seems that they are able to finance by bank, bonds, stock of ownership, even private lending, but they dare not do so because scientific conventional financing mechanism for them is not sufficient.

4. Evolution strategy of the medium small businesses in the new economy condition

4.1. Integration of the new technology
In the new economic situation, the new technology such as the big data, cloud computing and mobile internet has been changing our production and life style in the root. The medium small enterprises can make full use of the new technology in their production process and operational management, integrate it in their business model, for example, process style, payment mode, purchase and marketing, etc. The new economy is now changing people’s life and communication style. The individualized consumption is becoming the mainstream, which will drive the enterprise to change the production from the large scale to the customized making. The medium small enterprises ought to take the advantage of their flexibility to adapt to this new market demand [5].

4.2. Strategy of transforming to the production-type service
In the new economic conditions, as the new technologies like internet, cloud computing and block chain, etc are rapidly applied in the business, the service based on the big data and internet of things, etc will be needed more and more widely. The medium small enterprises, due to their low transferring cost, can seek for the transformation chance to the industrial chain section with more value [6].

4.3. Strategy of the niche market
The distribution production style is the typical mode in the new economy. The individual demand in the market is making the producer change the process mode. The customized manufacturing with the customer’s design will soon be much wanted. The medium small enterprises should well use the big data to segment the market, select the niche market suitable for their own and provide better service for the selected segment by micro-marketing [7]. As a return, they may get ideal profits and loyal consumers.
4.4. Differentiation brand strategy
As for the medium small enterprises, those that can manufacture the products different from their rivals and change their product design based on the consumers’ demand and construct their personified brand have the particular advantages and can survive. The medium small enterprises must have the development strategy, on which they ought to focus on making their items exquisite, customized. Different brands and exquisite items are their core competitive forces.

4.5. Strategy of fostering the personified experienced culture
The distributive manufacturing network in the new economy conditions will provide the possibility for the customized-made demand. The customer’s personified need such as clothing, housing and tourism, etc. has been becoming more and more popular. One of the important sections of the personified items is that the consumer can directly join in the product design, from which the customer can obtain much pleasant sensation. This feeling can greatly increase the attractiveness of the brand. The medium small enterprises have their own flexibility in meeting with the consumer’s unique demand, compared with the big company. And the personified experienced culture is not so easy to be copied. Take it for example, the Starbucks Chains.

5. Summary
The emerge of the new economy conditions is an inevitable trend for the economic society. As an important component part of the economic society, the medium small businesses can not avoid the effect of the new economy conditions. What they should do is to conform to these conditions, well use them and seek for the business chances. Only by this way can the medium small enterprises not be ousted by the market, find a path adapt to their own evolution whether in technology, or in commercial mode or in management.

Acknowledgement
The paper is funded by the Discipline Group of the Integrative Management between Economy and Industry in the City Circle, by the Wuhan Studies Institute, Hubei, China (IWHS20172001), and by Research Center on the Development of the Manufacturing Industry of the Wuhan City Circle, China (wz201607).

References