The SWOT Analysis of the Choice of Entrepreneurship Goals of Small and Medium-Sized Private Enterprises in China

Ming-wei BIAN
School of Learning support services, Chengdu Radio and TV University, P.R. China

Keywords: Small and medium-sized, Private enterprises, Entrepreneurial goals, SWOT analysis.

Abstract. As we all know, “entrepreneurship is harder and business is harder”, and the key to “starting a business hard” lies in deciding whether or not to start a business goal that is suitable for its own advantages. In this paper, SWOT is used as an analytical tool to comprehensively explain how enterprises use their advantages and avoid their own weaknesses to find a high performance entrepreneurial goal suitable for their own advantages. The purpose of this paper is to provide meaningful exploration and reference for the choice of entrepreneurial goals of small and medium-sized private enterprises in China.

According to the data and data of “National Bureau of Statistics” and “China's small and medium enterprise information network”, the life cycle of Chinese enterprises is much shorter than that of the European and American countries. According to the results of random sampling survey, the average life cycle of private enterprises in China is only 3.7 years, while the average life cycle of small and micro enterprises in private enterprises is only 2.5 years, while the average life cycle of small private enterprises in the developed countries represented by the United States and Japan is 8.2 and 12.5 years. If we change the comparative perspective from small and medium-sized enterprises to large enterprises, the average life cycle of large enterprises in China is only 7 to 9 years, while the average life cycle of large enterprises in Europe and America represented by the United Kingdom and the United States is up to 40 years. The average life cycle of large enterprises in Japan is up to 58 years, and in a hundred years old stores. The number of old businesses in China's enterprises is far behind that of the developed countries in Europe and America.

If we deeply analyze the reasons behind the short average life cycle of small and medium-sized enterprises in our country, it is not difficult to see that the small and medium enterprises in China still face the deviation of the choice of entrepreneurial goals, the difficulty of finding the entrepreneurial resources, the plight of financing, the poor entrepreneurial path, the inbreeding of the “inbreeding” and the poor cooperation of the entrepreneurial team. And the bad phenomena such as strong internal consumption still exist.

If we continue to focus on the reasons that the average life cycle of small and medium enterprises in China has a short average life cycle, we use the SWOT analysis method to analyze the enterprises how to use their own advantages and avoid their own disadvantages, so as to find a high performance goal suitable for their own advantages.

S index (Competitive Strengths)

The essence of the competitive advantage (S) is the relative comparative advantage of an enterprise, which refers to the superiority of an enterprise relative to the 22 of the other enterprises of the same profession. This advantage is the ability of an enterprise to surpass its competitors, which usually includes the advantages of technical ability, the advantages of tangible assets, the advantages of human resources, and the advantages of the organization system. Competitive advantage and its intangible assets such as brand and culture.

For example: in the 2G era, when China Mobile and China Unicorn in the high-end customer market competition became white hot, the China Telecom entered the low end customer market with a high cost performance PHS, and made a great success for the China Telecom to finally get a solid foundation for the 3G, 4G and 5G licenses.
W Index (Competitive Weaknesses)

The essence of the competitive disadvantage (W) is the relative comparative disadvantage of the enterprise, which refers to the 22 inferior position of an enterprise relative to the other enterprises of the same profession. This disadvantage is the lack of the ability of an enterprise to surpass its competitors, which usually includes the weakness of technical ability, the disadvantage of tangible assets, and the poor human resources. The disadvantages of the potential assets, the weakness of the organizational system, the weakness of competitiveness, and the intangible assets such as brand and culture.

For example, a large number of small and micro enterprises in China have serious disadvantages in human, financial, material, technology and other resources. It is difficult to obtain high quality human resources; difficulties in financing; the difficulty of obtaining natural resources is increasing; the technology is also difficult to gather advantages because of its capital and manpower bottleneck, and can only be used as a traditional one. “Three to one supplement” business. The relative shortage of people, wealth, goods and technology has finally become a key factor affecting the transformation of Chinese private enterprises from “made in China” to “created in China”.

O Index (External Opportunities)

The external opportunity (O) is the opportunity that the external environment gives to the present or future market. The entrepreneur needs to seriously treat and analyze every real or potential market opportunity, evaluate the “cake space” and the market prospect of every market opportunity. The camera calls the suitable people, money, material, information and time resources of the enterprise, and charge the enterprise. We should tap the “profit cake” of the target market and try our best to seize the opportunity of the best target market.

For example, the potential development opportunities of small and medium private enterprises in China are: forward integration, backward integration and horizontal integration within the industry; the precision and the fine differentiation of the customer group market segmentation; the new business development and development under the customer's demand transfer; the intensive production and management under the environment and energy conservation; green, environmental protection, and environmental protection. Green and organic products under the health and healthy consumption demand; the business opportunities of subway, high speed rail and other rail transit nodes; the opportunity for the secondary business circle and the marginal business circle of the urban public transport system to be perfected day by day; the entrepreneurial opportunity of the two or three lap city under the “urban center hollow”; “the aging of the population” The opportunity for the pension, medical and other health care industries, the market opportunities of domestic affairs, education and other related industries brought by the “second child”, and the market opportunities for the land and Sea Silk Road under the “one road”.

T Index (External Threats)

The external threat (T) means that in the process of the development of the company, there are always some restrictive factors that threaten the competitive ability, profitability, market opening and market position in the external macro environment of its survival. The high management level of the company needs to analyze the threat factor one by one in time, to make an evaluation, to move with each other, to take the feasible strategy (tactical) action to reduce or dissolve the negative impact of the threat to the enterprise.

For example, the external threats faced by small and medium private enterprises in China are: new competitors or “aircraft carriers” in the industry; the substitutes have threatened the development of the industry; the product has gradually entered the decline period of the life cycle; the miniaturization and singleton of the scale of the family; the demand for green and environmental protection of the consumers Escalation; an increasing impact on entity stores;
adverse changes in exchange rates and foreign trade policies; the increasing bargaining power of the buyers and sellers in the “Five-force”; the expected arrival of the recession in the economic cycle.

Construct the SWOT Matrix

SWOT is made up of the first letter of the four English words, which are competitive advantage, competitive disadvantage, external opportunity and external threat. In the early 80s of last century, Professor Verick, Professor of management at University of San Francisco, put forward the SWOT matrix. The SWOT matrix is suitable for the establishment of business objectives, such as target market selection, target market positioning, investment portfolio and competitor analysis. At the same time, the SWOT matrix is also suitable for individual goals such as personal career planning and job analysis. The SWOT matrix is an organic combination of “can do” and “can do”, in which “can do” represents the competitive advantage (strength) and competitive disadvantage (weakness) of the organization, and “possible” represents the opportunity and threat to the enterprise by the external environment.

When the entrepreneurs of small and medium private enterprises in China adopt the SWOT matrix to analyze the entrepreneurial goals, we need to analyze the opportunities and threats that the external environment gives to the enterprises under the new normal economy, especially the need to analyze the entrepreneurial opportunities under the “mobile Internet +” and the new economic normality. The emphasis is on “B2B, B2C, C2C and O2O”. Under the opportunity of e-commerce, the potential business opportunities under the Internet + artificial intelligence and the differential marketing opportunities under the “eyeball economy”, we try to find the best target market for their own development. At the same time, we will further analyze their own advantages or disadvantages and objectively evaluate the market of the high opportunity target that they are going to be ready to enter. Is there a relative comparative advantage in industry: whether it has the ability to develop the target market, whether it has the ability to maintain the target market, whether it has the ability to maximize the value of the customer, whether it has the ability to maximize the contribution to the consumer welfare, whether it has the ability to block the entry of the competitor and whether there is a mobile electricity. The ability of sub commerce and artificial intelligence and so on. If you find that you do not have a comparative advantage in the target market that you are preparing to enter, then you should choose the enterprise strategy or replace the new target market to ensure the security and profitability of the enterprise investment, as shown in Figure 1.

Growth Strategy (SO strategy)

If the target market that the small and medium private enterprises are prepared to enter is a high opportunity, the enterprise itself has relative comparative advantage in the target market, and is in the first quadrant of the SWOT analysis matrix. This shows that the external entrepreneurial environment facing enterprises is very attractive, and the enterprise itself has a higher market development capability. At this time, the enterprise needs to give full play to its own competitive advantage, seize the excess profit from the high opportunity target market, promote the rapid
development of the enterprise and obtain the success of the enterprise. The choice of this quadrant entrepreneurial target is “wind and rain” type, and the enterprise camera in this quadrant adopts the growth strategy.

**Twisting Strategy (WO Strategy)**

If the target market that the small and medium private enterprises are prepared to enter is a high opportunity, the enterprise itself does not have relative comparative advantage in the target market, and is in the second quadrant of the SWOT analysis matrix. This shows that the external entrepreneurial environment facing enterprises is very attractive, but the enterprises themselves do not have the ability to open up the market. At this time, enterprises need to adopt M & A and reorganize their business, and build “aircraft carrier” through forward integration, backward integration and horizontal integration to forge their own competitive forces in the industry. The choice of this quadrant entrepreneurial goal is “flower inserted on cow dung” type, and the enterprise camera in this quadrant adopts torsional strategy.

**Defense Strategy (WT Strategy)**

If the target market that the small and medium private enterprises are prepared to enter is a high threat, the enterprise itself does not have relative comparative advantage in the target market, and it is in the third quadrant of the SWOT analysis matrix. This shows that the external entrepreneurial environment facing enterprises is not conducive to entrepreneurship, and enterprises themselves do not have the ability to develop the target market. At this time, the enterprise needs to deeply analyze whether the product of the target market still has the continuity of the life cycle, whether it really belongs to the decline period of the product life cycle. If the answer is determined, it should consider reducing the scope of operation or exit the target market, proactively protruding the olive branch, and strive for the merger or acquisition by the peer company. Reorganize, and try to sell a good price. The choice of this quadrant entrepreneurial goal is “untimely” type, and the enterprise camera in this quadrant adopts defensive strategy.

**Business Strategies (ST Strategy)**

If the target market that the small and medium private enterprises are prepared to enter is a high threat, the enterprise itself has relative comparative advantage in the target market, and is in the fourth quadrant of the SWOT analysis matrix. This shows that the external entrepreneurial environment facing enterprises is not conducive to entrepreneurship, but the enterprise itself has a higher market development capability. At this time, enterprises should face the threat of the external environment, strive to accumulate the resources advantages of human, financial, material and technology, strengthen their own strength, to refer to the other industries, to implement the diversification strategy, to threaten opportunities, to work hard and strive hard, to gain a point of harvest. The choice of this quadrant entrepreneurial goal is “coming earlier than catching up”. In this quadrant, the enterprise camera adopts a diversified business strategy.

**Conclusion**

To sum up, the selection of entrepreneurial goals for small and medium-sized private enterprises requires us to face the opportunities and threats that the external environment gives us, objectively evaluate the advantages and disadvantages of the target market, and strive to accumulate the advantages of human, financial, material and technical resources to improve the competitiveness. Opportunities are always given to people who are prepared. Entrepreneurs of small and medium sized private enterprises need to remember the Tang Dynasty poet Han Yu, who is “very diligent and deserted in play, in thinking and ruined by” philosophy, practicing “biceps”, doing a good job of starting a business, when the opportunity comes, to seize the opportunity of high opportunities, to achieve the most. Good “SO” strategic positioning, to get the success of life, otherwise, entrepreneurial opportunities will be fleeting. In a word, the entrepreneurs of small and medium private enterprises in our country should see the goal clearly, the mind wants to get the strategy, the
nose should smell the danger, the mouth should say the plan clearly, the ear must listen to the opinion, the hands have to hold the opportunity, the foot must show the action, and try hard to practice the “long road” in “Li Sao”. The spirit of struggle is far away from me.

Reference

