

Chinese Small and Medium Enterprises Transnational Operation Strategies in the Post Crisis Era

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Abstract

Implementing transnational management strategy is the important way of Chinese small and medium enterprises development that get rid of excessive competition in domestic, bypass the non-tariff barriers, and expand overseas markets. At present, the international operation of Chinese small and medium enterprises is in an early stage, when they face the narrow financing channels, the non-perfect foreign investment enterprises management mechanism and many other factors, how to overcome the international financial crisis, especially how to response to the changes of development environment in the post economic crisis era, they are the main problem which Chinese small and medium enterprises are facing. This article detailed analysis of Chinese small and medium enterprises transnational operation current situation in post economic crisis era, then proposed the appropriate countermeasures.

Key words: Post economic crisis era; Small and medium enterprises; Multinational operation strategy; Localization

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INTRODUCTION

World economic is entering the post financial crisis era now. The financial crisis in 2007 had a tremendous impact

on over-reliance on the export-oriented economy of China, since China's economy is still not entirely free from the shadow of the financial crisis. To date, western financial crisis directly affect Chinese economy through impacted on China's foreign trade, especially on transnational operation of Chinese small and medium enterprises have a huge impact, also led to sharp changes in the development environment of small and medium enterprises of China, how to overcome the international financial crisis, which seeks its own development, it is the main problem which small and medium enterprises of China is facing. particularly in post economic crisis era, in the background of the global economy is beginning to recover, how to change the mode of transnational management of small and medium enterprises, and to achieve industrial upgrading, became an urgent need to study the issue of improving international competitiveness.

SME not only is China's main economic power, is also an important subject of transnational business. Small and medium enterprises of China have more than 10 million, accounting for 99% of the total number of enterprises. SME created GDP accounted for 60%, paying taxes of accounting for 50%, invention patent of accounting for 66%, research and development of products for 82%, employment of the population in cities and towns to absorb 75%. Transnational management refers to the enterprise carry out resources into activities beyond the sovereignty of a country, including goods, services, capital and other forms of international transfer and transformation of economic resources. Many of China's export commodities are produced by SME. Transnational management can Chinese small and medium enterprises rid the simple geographical boundaries, growth-oriented international enterprises in the whole world. However, Chinese small and medium enterprises are in an early stage of the international operation, is facing with many problems.

1. THE NECESSITY OF CHINESE SMALL AND MEDIUM ENTERPRISES IMPLEMENTATION TRANSNATIONAL MANAGEMENT STRATEGY

1.1 Implementation of Transnational Management Strategy is SME Get Rid of Excessive Competition in Domestic, Bypassing the Non - Tariff Barriers, and Important Way to Expand Overseas Markets

In post crisis period, survival and development of Chinese SME is facing more serious challenges, first, the pressure of competition greater, competitors more powerful. In order to overcome the economic impact on China, the Chinese market must be more opened, Chinese government will give preferential treatment to foreign enterprises and foreign goods, “vulnerable” of SME in the market competition will face greater pressure of competition after losing Government protection. Second, domestic market is being squeezed. After China joined WTO, domestic market over-supply situation will be more serious as foreign products import, original market share of SME will be reduced more.

1.2 Implementation of the Transnational Management Strategy can Make SME Effectively Utilize Foreign Resources and Markets

On one hand, SME product and sale products in the host country, may reduce export expenses such as transportation, at the same time be able to make products better suited to the local market conditions and consumer preference; on the other hand, localization strategy can make SME to take advantage of local resources, reduce their operating costs, improve international competitiveness of small and medium enterprises. At the same time, implementation of transnational management strategy is also a necessary requirement which enterprises get reasonable production scale. With increased of the consumer to products grade and goods quality of expectations, product life cycle increasingly shortened, research and development and research costs increased, that force companies to go out of the country, to maintain reasonable production scale of innovative product through transnational operation, have a good return of business investment in research and development.

1.3 Regional Blocs in the World Economy and Trade Protectionism is also an Urgent Need for Small and Medium Enterprises Development of Transnational Management

Regional economic development will be beneficial to countries and enterprises in the region and will be disadvantage to extra-regional countries and enterprises. These tariff reductions between countries within the region, reduced the flow cost of goods and resources of production, must contribute to increase mutual trade opportunities, while set up trade barriers to external

countries, which makes products of the non-regional countries difficult to enter the area. In order to break the bondage of such intangible and access to the regional market, implementation of transnational management strategy is the best choice. All kinds of non-tariff barriers, especially in developed countries, lead to the product export of developing countries faced with severe challenges, Chinese small and medium enterprises only direct investment and multinational operation can “escape” all the barriers, break into the regional market, and “local business” status to share the benefits of free trade.

1.4 Having Advantages of Chinese Small and Medium Enterprises Implementation Transnational Operation

First of all, have a certain advantage of property rights. Property right of private enterprises in the small and medium enterprises are clear, so they are very cautious about investment decisions, likely to succeed; secondly, there are certain technical advantages. Although SME general lack of enough funds to engage in research and development, but innovations enthusiasm is high on core technology. At present, there are some breakthroughs of some small and medium enterprises in the area of technology innovation. And, technological innovation of small and medium enterprises are small scale, be good at based in the crevice of technology monopoly, and the cost low, technology transformed into productive also spend less time and funding. Third, there is a certain accumulation of multinational experience. While most SME is small scale, management level is not high, but while one part of the enterprise in service in the domestic market, have started entering the international market in various ways, established factories in overseas, set up branches or engaging in foreign project contracting and labor service cooperation.

1.5 Knowledge Economy Provide a New Impetus for Transnational Management of Small and Medium Enterprises

In the era of knowledge economy, economic globalization has a new meaning, it mainly for the rise of the knowledge industry, combining with computer technology and communications technology, makes the world more open and global competition increasingly intense. International competition mainly for efficiency and quality of competition, victory or defeat is critically dependent on intellectual resources and national innovation capacity, dependent on the competitiveness of enterprises, and does not depend on the business size. Modern social economic development indicates that, due to SME has features which industry scale small, and capital and technology cost low, number many, and distribution wide, and business flexible, and variety, and so on, makes it to play of important role in protection full competition, and active market, and for technology innovation and organization innovation, and increase employment opportunities,

and so on, it is important support forces of a national economic growth.

2. ANALYSIS ON CURRENT SITUATION OF CHINESE SMALL AND MEDIUM ENTERPRISES TRANSNATIONAL OPERATION

2.1 SME Strength is Weak

Because of its condition of human, financial and material constraints, small and medium enterprises did not know the full on the host country's monetary policy, foreign exchange, tax law, labor law, financial management, and did not sensitive to changes in economic policy, it is difficult to develop appropriate preventive measures, to reduce and transfer the risk; once risk is coming, it will be difficult to gain a foothold in the international market. So, before SME in made transnational business decision, should compare on different host country of political, and social, and economic, and culture, and legal, macro investment environment, also to analysis micro-conditions on the comparison production cost, and enterprise unique elements income, and export sales of additional cost, and abroad production of additional management and coordination cost of parents country and host country, made science method decision in accordance with transnational business decision model, seeks to security of high and profit large of national and area of project determines for directly investment object.

2.2 There are Difficulties in Financing and Low in Risk - Resistant Ability

Because there are various factors which are small scaled, low credit, higher risk, such as, the financing difficulties of Chinese SMEs are growing. Due to poor financial channels, did not access to sufficient credit in time, SME is difficult to carry out a scale of foreign investment, which impeded its international management seriously. Also due to capital adequacy, the against risks ability and manage risk is relatively low in foreign investment. Especially for risks caused by internal factors of non-business, such as political risks, risk of war risk, risk of nationalization, risk of social security, SMEs almost no ability to prevent.

2.3 Lack of International Experience and Lower International Competitiveness

Low level of international competitiveness of Chinese small and medium enterprises, enterprise size too small, lack of core technology and key products with independent intellectual property rights, lack of brand-name products, lack of a unique corporate culture, and cohesion poor. Transnational operation of enterprises is more complex than domestic business. Due to historical reasons, before late in the last century, small and medium

enterprises of China nearly have transnational business practice activities and international experience is almost zero, which caused more problems. For example, because of the lack of international investment experience, the investment decisions of small and medium enterprises are likely to be errors before foreign direct investment or due to lack of preparation and obstructed the process of internationalization. Lack of international experience also led to the small and medium enterprises does not know the necessary means in international business, such as reduce the payment tax, transnational transfer of assets and know-how capitalization, and so on.

2.4 Management Mechanism of SME is not Perfect and Transnational Management Talent is Shortage

Due to the effecting of traditional management mechanism, business management mechanism of overseas enterprise cannot adapt international market competition needs, exists with two species extreme of management problem: one is that domestic parent company controlled too much strict on overseas Enterprise, serious bound overseas enterprise adaptability on local environment; another is that domestic parent company drift on overseas Enterprise, many enterprise due to lack of support by parent company and development slow. Transnational management is a complex task, and requires compound management talents who have extensive knowledge, knowledge of international practices, but small and medium enterprises of China lacking this talent, management quality is not high. Small and medium enterprises should be well aware of its advantages and disadvantages, to effectively avoid disadvantages, play to their strengths, adapt to the diversity of consumer demand in the international market, or establish strategic alliances with foreign multinationals, become part of the value chain of multinational corporations, achieve their business goals in cooperation.

3. THE STRATEGY OF TRANSNATIONAL MANAGEMENT OF MEDIUM AND SMALL ENTERPRISES IN THE POST ECONOMIC CRISIS

3.1 Transnational Management of Online

Transnational management of Internet named e-commerce, this operation mode adapt to the development of SME. First, online businesses can save costs of SME international trade, enabling to avoid the weakness of small and medium enterprises size are small, money are less; Second, online businesses can reduce middlemen; Third, online businesses can provide more export opportunities to small and medium enterprises, spend less money into new international markets; Fourth,

online businesses can reduce the export trade links, improve efficiency, save transaction time; Fifth, online business without geographic and time limits, facilitate to sale the product of small and medium enterprises to the global in a timely, improving its visibility and international competitiveness. Currently, the online trade support measures aren't perfect, and they hindered the transnational operation of Chinese SME to adopt online business. However, with the rapid development of online trading, more and more SMEs realized the advantages that looking for more customers through the latest electronic trade on the Internet, this advanced technology will bring the huge benefits to the transnational business activities of SME.

3.2 SME Participate in the International Division of Labor and Cooperation Networks

SME can take advantage of its core competitive capacity to join the international division of labor and cooperation network by the minimize cost, which is the shortcut and an important strategy of Chinese small and medium enterprises transnational operation. China is an important part of international division of labor and cooperation networks, many of China's medium and small enterprises have strong strength in technology-intensive projects, some SME have high level of production management and have large-scale production and cooperation ability with international collaboration networks, and some small and medium enterprises have a long history in their own industry, with strong production capacity and long-term development capacity. Therefore, Chinese small and medium enterprises should give full play to their own advantages, join the international division of labor and cooperation networks, not only is their own development needs, but also there is strategic importance to national development. SME not only can quickly development and grow, but also can use the funds, the technology and the resources of network, to establish up modernization of fund-intensive and technology-intensive industry in China, to adjust, upgrade and optimize to Chinese industry economic structure, and promote the production and collaboration ability of supporting enterprise, led to the related industry development, improve production technology level, make SME' products quickly to reach the international requirements, and will sale world around by network, gradually participate the international competition, and accumulate transnational business experience, cultivating a large number of management talents who grasp the world's advanced technology and are familiar with the modern enterprise management.

3.3 Implementation the Localization Policy

"The so-called localization strategy" refers to the SME management in overseas, planning and operations personnel, organization and management of overseas enterprises, capital, products and technical from the

perspective of strategic global, to fit the local social, cultural, law, religion, policy, so that make all the operation and management of enterprises into the local market.

3.3.1 Product Localization

The purpose of product localization refers to the enterprise development product which meets the needs of the local market Consumer demand of different countries and regions for products are different due to their traditional social values, history, culture and economic factors such as the level of development of different effects and characteristics. Therefore, the enterprise carry out product localization, first, they should investigate to the local consumption feature and then product and sale products which in line with customers' specific needs.

3.3.2 Cultural Localization

Culture Differences has a profound impact on transnational operation of enterprises. Therefore, successful operations of multinational enterprises must properly handle the problem of culture localization. The culture Localization is that the enterprise culture adapts to the local culture and proper integration the local culture. Not only to strengthen emotional communication with local consumers, but also to cultivate and maintain a competitive advantage.

3.3.3 Localization of Management and Talents

In the process of Chinese SME transnational management, serious constraints on transnational operation of Chinese SME due to the overseas business personnel lack. Chinese enterprises generally lack of the talents who familiar with the host country law, savvy business, and understand of local management. Human resources "localization", is the direct employment of local managers, who are familiar with the operation environment, understand market demand, are good at dealing with local government and relevant departments, which will contribute to the rapid development of China's overseas business. The key of talents localization is the management localization to increase emotional exchanges with overseas subsidiaries operating personnel of the host country, to take their loyalty to control of overseas subsidiaries through enterprise culture construction. By the host country staff, China business can effectively integrate strategy and policy of the parent company with the actual situation, conducive to implement the transnational management strategy.

3.4 Improve the Policy Supporting and Service System for SME Transnational Management

3.4.1 Improving the Legal and Institutional Environment

Government should develop and perfect the related legal of SME development as soon as possible, while specification on SME's enterprise system, and organization institutions, and SME collaboration, and fair

competition environment, and SME interests protection and the modernization process, especially establish enterprise overseas investment legal and regulations, simplify approval links foreign investment, improve approval links efficiency and transparency, establish the unified of SME transnational business management institutions, encounter the practical problems of small and medium size enterprises in the development process.

3.4.2 Increase Funding Support

Transnational operation of Chinese SME lack of funds was mainly due to the financing system is not perfect. Government should perfect financial support secondary system, form SME transnational business financing network, establish SME financing institutions, provide offers loan, and guarantee the insurance, and so on more service; encourage domestic commercial banks and insurance company to open branch in the national and area of China SME transnational business more frequently; help “go out “ of SME to process daily financial business and the financing problem; establish SME credit guarantees company or establish SME credit guarantee fund; provide systemic credit guarantees for SME.

SUMMARY

International economic crisis caused by U.S. financial crisis, not only to challenge on the development of China's medium and small enterprises, but also to provide a completely new development opportunities for the development of China's medium and small enterprises. Therefore, implementation transnational management strategy is the objective demand of the domestic and international market environment for enterprise development. Chinese small and medium enterprises transnational operation and development is fully in line with the current state of the Chinese small and medium enterprises; in the era of knowledge economy and economic globalization, actively participate in international competition, efforts to open up global markets, develop transnational operation strategies to adapt itself, enable Chinese small and medium enterprises play an important role on the international economic stage.

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