

**INFLUENCING FACTORS FOR STRATEGIC MANAGEMEN
DEVELOPMENT AND ITS COUNTERMEASURES IN SMALL
AND MEDIUM-SIZED ENTERPRISES IN GUANGDONG
PROVINCE OF CHINA**

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**INSTITUTE FOR ADVANCED STUDIES
UNIVERSITI MALAYA
KUALA LUMPUR**

2023

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LI MING

**THESIS SUBMITTED IN FULFILMENT OF THE
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Countermeasures in Small and Medium-sized Enterprises in Guangdong Province
of China**

Field of Study: Management

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Influencing Factors for Strategic Management Development and Its Countermeasures in Small and Medium-sized Enterprises in Guangdong Province of China

ABSTRACT

Small and medium-sized enterprises (SMEs), known as "the most dynamic economic cells", are widespread and numerous throughout the world, and are small in scale but flexible in mechanism. After China's reform and opening up, SMEs have been growing rapidly, making them a key priority in the country's national economy and social development, and playing an important role in resource allocation, technology absorption and investment, opening up to the outside world, expanding foreign exchange earnings, activating markets, increasing employment and maintaining social stability. It is an essential and important part of China's economic development process and has an irreplaceable and special status for the development of China's economy. Therefore, in this era of challenges and opportunities, the study of the development of SMEs is an important element that deserves attention.

This thesis firstly reviews and organizes the strategic management theory, the concepts related to SME development and the factors influencing SME development. A brief analysis of the current situation of SMEs in the Shenzhen region and the current strategic management situation is presented. Then, taking SMEs as the research object, a conceptual framework of the influencing factors on the development of SMEs is constructed on the basis of previous relevant studies, and a preliminary analysis of the influencing factors affecting the development strategies of SMEs is conducted from three aspects: internal SMEs, social relations and external environment respectively;

then factor analysis is applied to extract the five public influencing factors affecting the development strategies of SMEs. The five public influencing factors affecting the development strategies of SMEs were extracted using factor analysis, namely, enterprise structure and strategic status, talent system, supply and marketing relationship, policy and legal environment, and financing environment, and using regression analysis, the business growth rate of the main business of SMEs was taken as the dependent variable, and regression analysis was conducted on the influencing factors of SMEs at various levels, to derive the influence of each public factor on the development strategies of SMEs. The thesis aims to use modern management tools and concepts to provide a better understanding of the development strategies of SMEs.

The aim of this thesis is to make recommendations for the strategic development of SMEs using modern management tools and concepts. Therefore, after understanding what factors affect the development of SMEs, this thesis then further case studies the Balanced Scorecard, a strategic management tool that is highly utilized in the market. The thesis begins with a theoretical analysis, proposing general ideas and specific approaches to strategic management using the balanced scorecard, followed by a case study. The thesis proposes that the general idea of balanced scorecard strategy management is to establish a balanced scorecard strategy management system through strategy analysis and determination, strategy description, strategy shaping and resource allocation, strategy implementation and strategy feedback. The specific practices of Balanced Scorecard strategic management include: clarifying the strategic objectives, vision and mission of the company; launching publicity, education and communication; establishing a specific indicator system and criteria for the four dimensions; establishing

a clear strategy map; data processing; indicator decomposition; formulating performance evaluation indicators and feedback and improvement, etc.

Finally, based on the findings of the case study and empirical research, the advantages and disadvantages in the application of strategic management tools are pointed out, and corresponding countermeasures are suggested for the development strategies of SMEs from three aspects: internal, external and social relations, in the hope of providing a useful reference for enterprises in the process of implementing strategic management from strategy formulation to strategy implementation.

Keywords: strategic management tools; SMEs; balanced scorecard; enterprise development; strategy implementation

**Faktor yang Mempengaruhi Pembangunan Pengurusan Strategi dan Tindakan
Balasnya dalam Perusahaan Kecil dan Sederhana di Guangdong, China.**

ABSTRAK

Perusahaan Kecil dan Sederhana (PKS) merupakan sel ekonomi paling dinamik. Ia tersebar dengan luas dan pelbagai diseluruh dunia, dan walaupun berskala kecil tetapi fleksibel dalam mekanismanya. Selepas pembukaan dan pembaharuan negara China, PKS telah berkembang dengan pesat dan berperanan penting dalam peruntukan sumber, penyerapan teknologi dan pelaburan, pembukaan kepada dunia luar, mengaktifkan pasaran, meningkatkan pekerjaan dan mengekalkan kestabilan sosial. Ianya merupakan bahagian penting dalam proses pembangunan ekonomi negara China serta mempunyai status yang tidak boleh diganti dan istimewa. Oleh yang demikian, dalam era yang mencabar dan mengambil peluang kini, kajian tentang pembangunan PKS adalah penting dan perlu diberi perhatian yang sewajarnya.

Pada peringkat awal, kajian ini akan megulas tentang teori pengurusan startegik, konsep berkaitan dengan pembangunan PKS dan faktor yang mempengaruhi pembangunan PKS. Analisis ringkas tentang situasi semasa PKS di wilayah Shenzhen dan pengurusan startegik semasa turut akan dijelaskan. Seterusnya, dengan mengambil PKS sebagai objek kajian, rangka kerja konseptual faktor yang mempengaruhi pembangunan PKS di Shenzhen dibentuk berdasarkan kajian terdahulu, dan analisi awal tentang faktor yang mempengaruhi strategi pembangunan PKS dijalankan dari tiga aspek iaitu situasi dalaman, hubungan sosial dan persekitaran

luaran. Kemudian, analisis faktor digunakan untuk mengekstrak lima faktor yang mempengaruhi strategi pembangunan PKS. Lima faktor tersebut adalah struktur perusahaan dan status strategi, sistem bakat, perhubungan bekalan dan pemasaran, dasar dan undang-undang dan persekitaran pembiayaan. Selanjutnya, dengan menggunakan kadar pertumbuhan utama PKS sebagai pemboleh ubah bersandar, analisis regresi digunakan ke atas faktor yang mempengaruhi PKS dipelbagai peringkat, untuk mengenal pasti pengaruh setiap faktor terhadap strategi pembangunan PKS. Kajian ini bertujuan menggunakan alat dan konsep pengurusan moden untuk memberi pemahaman yang lebih baik tentang strategi pembangunan PKS.

Matlamat kajian ini adalah untuk mencadangkan strategi pembangunan PKS menggunakan alat dan konsep pengurusan moden. Kajian ini akan mengkaji *Balance Scorecard* perusahaan yang merupakan alat pengurusan strategi yang sering digunakan dalam pasaran. Amalan khusus pengurusan strategi *Balance Scorecard* termasuklah; menjelaskan objektif, visi dan misi strategik syarikat; melancarkan publisiti, pendidikan dan komunikasi; mewujudkan sistem penunjuk dan kriteria khusus untuk empat dimensi; mewujudkan peta strategi yang jelas, pemprosesan data; penguraian penunjuk; mewujudkan penunjuk penilai prestasi dan maklum balas dan penambahbaikan; dan sebagainya.

Kesimpulannya, berdasarkan dapatan kajian kes dan kajian empirikal,

kelebihan dan kekurangan dalam aplikasi alat pengurusan strategik telah dikenal pasti.

Langkah yang sepadan dicadangkan untuk strategi pembangunan PKS yang melibatkan aspek hubungan dalaman, luaran dan sosial, dengan harapan dapat menjadi rujukan berguna dalam proses melaksanakan pengurusan strategik perusahaan.

Kata kunci: alat pengurusan strategik, PKS, *Balance Scorecard*, pembangunan perusahaan, pelaksanaan startegi.

Universiti Malaysia

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CHAPTER 1

INTRODUCTION

1.1 Research Background

Since the reform and opening up, China's SMEs have developed rapidly and become an important force in driving the development of the national economy. Liu He who is vice-premier of China hosted a State Council meeting that promoting SMEs development on August 21, 2018. That meeting pointed out that there were more than 50% tax contribution, more than 60% GDP, more than 70% technology innovation, more than 80% urban employment and more than 90% enterprises all which contributed by SMEs in China (The State Council of China, 2018)¹. More than 95% of the enterprises in China are SMEs, which cover various industries, various forms of ownership, and various fields of the national economy, and play an important role in expanding social employment and promoting technological innovation (People.com.cn, 2021).² In China, SMEs are an important force in ensuring China's sustained economic growth and promoting the healthy development of the market economy, playing an important role in developing the rural economy and promoting the growth of local fiscal revenue as well as promoting the reform of the economic system, and they are also an important force in activating the market.

Guangdong is an important province that is located in the south of China. By January 2022, the Guangdong's GDP was 12.4 trillion yuan. Guangdong is the province with the

¹ The information is sourced from the first meeting of the Leading Group of the State Council on Promoting the Development of Small and Medium Enterprises in 2018. http://www.gov.cn/guowuyuan/2018-08/20/content_5315204.htm

² The information is sourced from the second plenary session of the fourth session of the 13th National People's Congress in 2021, and the press conference answered by the Minister of Industry and Information Technology. <http://lianghui.people.com.cn/2021npc/n1/2021/0308/c437010-32046218.html>

strongest economy in China for 32 years and GDP ranks among the top 10 in the world (Guancha.cn, 2022)³. Besides, Guangdong is the forefront of China's reform and opening up and its exemplary role affects other provinces. Also, Guangdong Province is currently the strongest Province in China's economy (Guangdong Provincial High Quality Development Conference, 2023)⁴. Guangdong's economy plays an important role in China. According to the National Bureau Statistics of China, bulletin of the fourth national economic census (No.7) showed that among corporate organizations in the secondary and tertiary industries, the top one was: 3.127 million in Guangdong Province, accounting for 14.3%. The figure below shows for details:

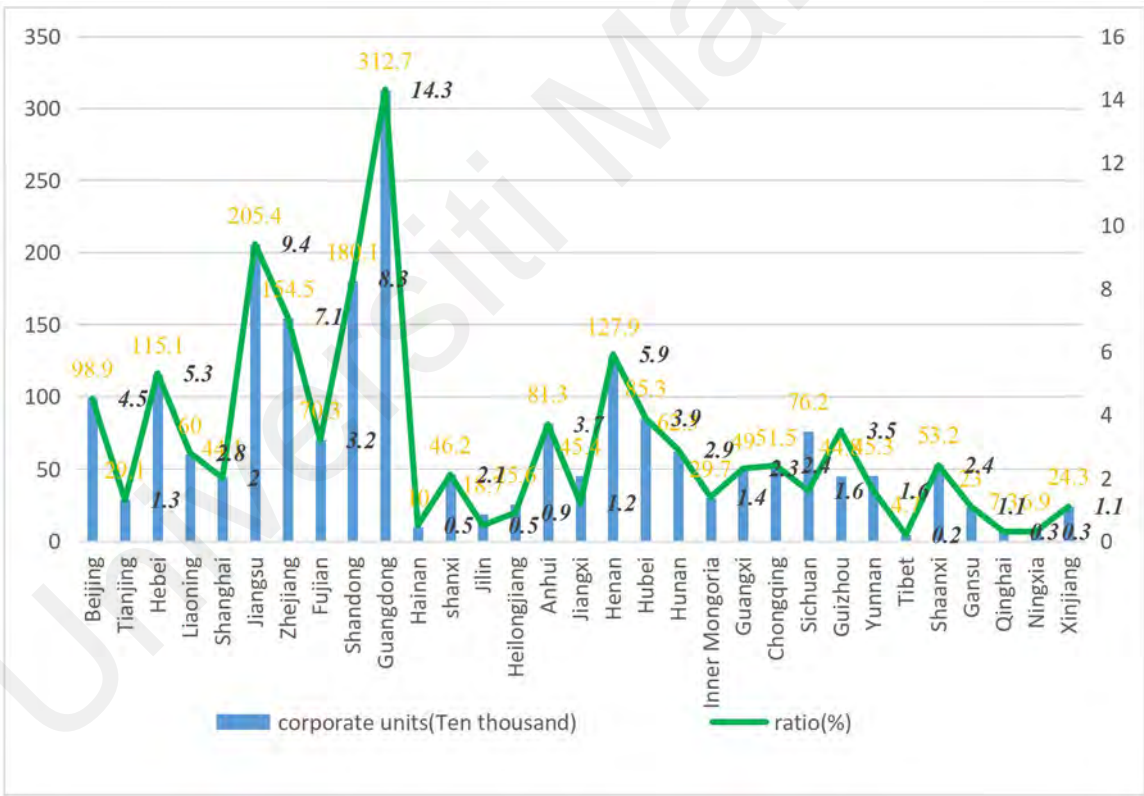


Figure 1.1 Distribution of the number of Corporates in China⁵

In addition, from the industrial activity units distribution, SMEs in Guangdong Province

³ The information is sourced from the Guancha.cn on January 20, 2022 (source: Shanghai Securities Journal). https://www.guancha.cn/economy/2022_01_20_622946.shtml
⁴ The information is sourced from the Guangdong Provincial High Quality Development Conference in January 2023. <https://baijiahao.baidu.com/s?id=1756527856346478686&wfr=spider&for=pc>
⁵ The information is sourced from the Bulletin of the Fourth National Economic Census of the National Bureau of Statistics (No. 7). http://www.stats.gov.cn/sj/zxfb/202302/t20230203_1900530.html

cover the widest range of industry activity units, covering 3.389 million, accounting for 13.8%.The figure below shows for details:

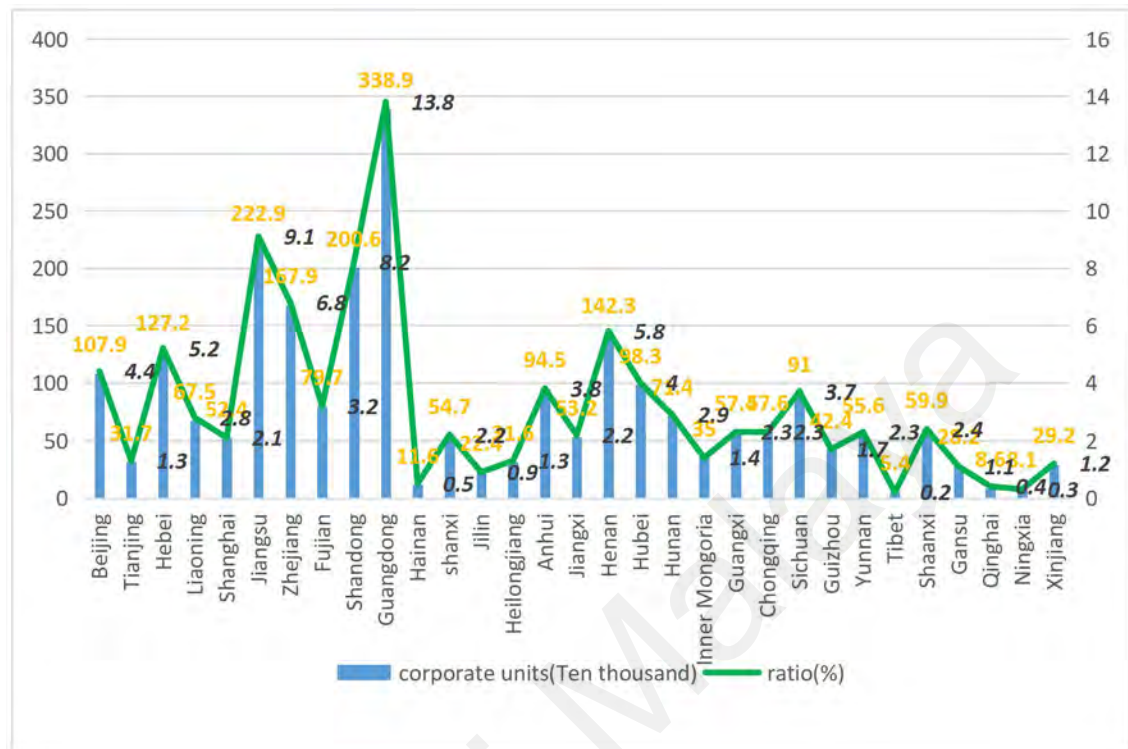


Figure 1.2 Distribution of industrial activity units in China⁶

SMEs play an important role in the national economy and also make an important contribution to promoting social employment. Guangdong Province, as the economically developed region of China, is basically where all the workers in China are concentrated. The figure below shows the employment situation of each province in China, and it can be seen from the figure that Guangdong Province has the largest number of employed people, up to 46.109 million.

⁶ The information is sourced from the Bulletin of the Fourth National Economic Census of the National Bureau of Statistics (No. 7). http://www.stats.gov.cn/sj/zxfb/202302/t20230203_1900530.html

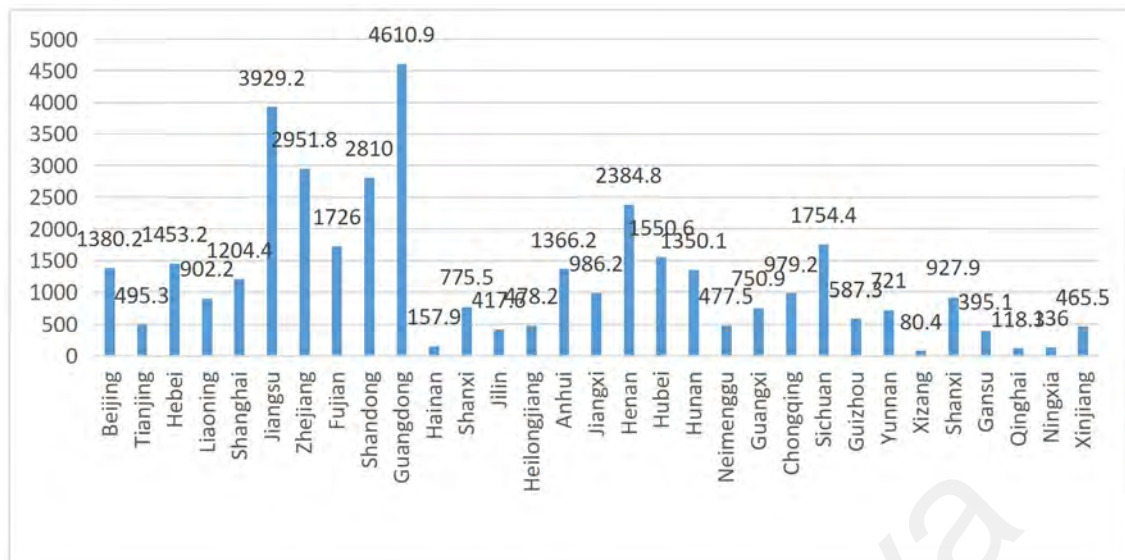


Figure 1.3 Employees of corporate organizations in China (Ten thousand)⁷

From the above figures, it can be seen that Guangdong Province is in the leading position in terms of the development of SMEs nationwide, ranking first in terms of the number of SMEs and the range of industries covered. However, in recent years, influenced by macroeconomic policies and market competition, China's SMEs have encountered some serious problems in the process of development, mainly in the following aspects: First, the lack of capital, due to the low credit level of most SMEs themselves, coupled with the consideration of banks and other financial institutions for their own efficiency, as well as the influence of government policy inertia, most SMEs have difficulties in financing and shortage of funds. Secondly, the technology level is backward and the technological innovation ability is poor. Thirdly, the management ability of SMEs is poor, the management style is centralized and the management concept is old and rigid. Fourthly, the talent bottleneck problem, the quality of SME employees itself is not high and the loss is serious. The reasons for the above situation, there are two main aspects: First, external reasons. The external environment is

⁷ The information is sourced from the Bulletin of the Fourth National Economic Census of the National Bureau of Statistics (No. 7). http://www.stats.gov.cn/sj/zxfb/202302/t20230203_1900530.html

changing rapidly and SMEs are unable to adapt to it in a short period of time; the second is the internal reason, that is, SMEs generally lack strategic management, which is also the fundamental reason.

This thesis focuses on SMEs in Guangdong Province as an example, by analyzing the current development status of strategic management of SMEs in Guangdong Province and the factors affecting their strategic management implementation, to establish some strategies about how Chinese SMEs use strategic management tools to develop healthy.

1.2 Problem Statement

Small and medium-sized enterprises play an important role in economic and social development, and have become the largest and most dynamic enterprise group among Chinese enterprises. Enterprises guide their long-term growth and development through strategic planning (Berry, M, 1998). Strategic management is of great significance to the development of small and medium-sized enterprises, and the choice of different development strategies will have large differences in business operations. In the real practical situation, during the development process of small and medium-sized enterprises, they face many practical difficulties and problems, especially in the early stages of their development. Many of these difficulties and problems have exceeded their ability to solve, and some have even led to the failure of enterprises. These problems include lack of management ability, no strategic planning, lack of financing ability, lack of innovation ability, lack of talent, lack of policy advantages, and so on. Meanwhile, small and medium-sized enterprises do not pay enough attention to strategic management, and the application of strategic management to enterprise

management is not effective enough. At present, some enterprises have prejudice against strategic management, believing that strategic management is the only planning needed for the development of large enterprises. Small and medium-sized enterprises have small operation and development scales, low market ceilings, and limited development, so there is not much room for the implementation and application of strategic management. In terms of research, the related research on enterprise strategic management has been paid more and more attention in recent years, but the research objects are often large enterprises. In this way, a bad consensus has emerged in the business community: accepting the so-called fate reality of small and medium-sized enterprises, but forgetting to change the status quo through efforts.

In general, prior work is limited to a subset of strategy of on small and medium-sized enterprises, there is relatively little theoretical research. Many studies directly apply the research results of large enterprises to small and medium-sized enterprises, believing that they are all enterprises and that theories and methods can be directly applied, but forgetting that the research objects are in different environments. This will inevitably lead to the lack of conformity of the theories of large enterprises in the application of small and medium-sized enterprises. For example, in market positioning theory, large enterprises will conduct market analysis based on their own situation and use theoretical methods to accurately position themselves in the market. However, a single small and medium-sized enterprise has very little influence in the commercial market, is in a passive position, does not have market discourse power, and only participates in market activities within its own small area. In this case, theoretical research results are difficult to apply to small and medium-sized enterprises. The theory of management tools can be

well applied to business operations (Phaal, R., Farrukh, C. J., & Probert, D. R., 2006). SME were found to use a restricted range of strategic tools and there is a need for a wider understanding of the tools available and their application to strategy development (Frost, F. A, 2003). Actually, in terms of theoretical research, commonly used management theory tools, such as SWOT theory, Boston matrix theory, channel theory, and product 6C theory, have relatively little research on small and medium-sized enterprises. Therefore, it is necessary to expand the application research of management tool theory in small and medium-sized enterprises.

Considering the important role of small and medium-sized enterprises in the economy and society, as well as the relatively small number of practical problems and theoretical research faced by small and medium-sized enterprises, this paper conducts research on the development of small and medium-sized enterprises through strategic direction, attempting to provide a set of analysis methods suitable for small and medium-sized enterprises to easily analyze the factors that affect development and formulate corresponding solutions through scientific analysis. The implementation evaluation is not comprehensive and objective enough. This thesis takes small and medium-sized enterprises of Guangdong province as the research object, and explores the influencing factors and countermeasures of the development of small and medium-sized enterprises from the perspective of strategic management, and use strategic management tools to study the influencing factors of small and medium-sized enterprises' development strategies, and using the index system to determine the development strategy of small and medium-sized enterprises. In this sense, it is of great significance to discuss the application of strategic management tools to the management of small and

medium-sized enterprises, and to put forward targeted countermeasures and suggestions.

1.3 Scope of study

Guangdong Province, as the forefront of China's reform and opening up, has the most prosperous economic vitality in China and is the province with the strongest economic strength. Guangdong Province, as the forefront of China's reform and opening up, has the most prosperous economic vitality in China and is the province with the strongest economic strength. At the same time, Guangdong Province has the largest number of enterprises and employment in China. Guangdong is the province with the strongest economy in China for 33 years and GDP ranks among the top 13 in the world (Until to June 2022, the GDP is 1.56 trillion US dollars). Guangdong is the forefront of China's reform and opening up and its exemplary role affects other provinces. By selecting Guangdong Province as the research area, better data can be collected on the research subjects. Furthermore, the advantage of research resources is also an important factor. Due to the support of the Shenzhen Association of Small and Medium Enterprises, it has greatly contributed to the effectiveness and reliability of the research subjects. Because the research object is the strategic aspect of small and medium-sized enterprises, data feedback can be directly obtained from the group of small and medium-sized enterprise owners and managers who are directly involved in formulating enterprise strategies, which has a certain guarantee for the data quality of this study. Therefore, selecting small and medium-sized enterprises and their owners and managers from the most economically developed regions as the research scope can make this study more

representative.

1.4 Research Questions

This appears as a more straightforward problem compared to the previous research on strategic management of small and medium-sized enterprises. A challenging problem which arises in this domain is the academic community lacks research on strategic management of small and medium-sized enterprises. Based on the demand and analysis orientation of the research topic and the current research status, this thesis intends to address the following four questions:

- I. What are the factors that affect the strategic management of SMEs?
- II. How to build an indicator system of factors affecting the strategic management of SMEs?
- III. What is the use and significance of management tools in improving the strategic management ability of SMEs?
- IV. How to improve the strategic management ability of SMEs?

As for the research question section, the logic of the research thinking is: the proposal of the problem follows a logical sequence “analyzing factors - establishing an analysis system - the role of management tools - enhancing strategic management capabilities”, that is, the focus of research ranges from basic influencing factors to mid level systems and tools, and then to the optimization of upper level strategies.

1.5 Research Aim and Objectives

Enterprises are facing different competitive situations in the business environment. Therefore, Enterprises need to maintain results oriented strategy execution and create value in complex environment. Actually, most of goals of strategy can not be achieved well during implementation in real situation. If there were not to realize results, strategic plan would not had significance. Effective strategy management can bring many benefits to any organization. The aim of this thesis is to research SMEs in Guangdong Province as an example, by analyzing the current development status of strategic management of SMEs and the factors affecting their strategic management implementation, to establish some strategies about how Chinese SMEs use strategic management tools to develop healthy.

This thesis takes SMEs development strategy as the research object, and by constructing an index system of SMEs development strategy influencing factors and applying this index system to objectively evaluate the implementation status of SMEs development strategy, as well as analyzing the implementation of strategic management tools in the strategic management of SMEs, to understand the current situation of strategic management influencing factors of Chinese SMEs and make suggestions for improvement. According to different research questions, this thesis arrange several chapters to study research questions and the arrangement are as follow:

I. Analyze the influencing factors affecting the development strategies of SMEs.

Under empirical analysis method, this thesis compare the influencing factors of the development strategy of SMEs in Guangdong Province region and illustrate the influencing factors affecting the development strategy of SMEs from internal, social

relations and external environment.

II. Apply the index system to evaluate the implementation status of SMEs.

After studying the influencing factors of the strategic management of SMEs, this thesis constructs the index system of influencing factors that evaluate influencing factors and status of the strategic management of SMEs.

III. Analyze the implementation of strategic management tools in SMEs.

This thesis provides the Balanced Scorecard, combined with the actual situation of the questionnaires, to analyze impacts of strategic management on SMEs and assess the significance of using strategic management tools for improving SMEs.

IV. Provide valuable suggestions for the strategic development of SMEs.

From the perspective of strategic management, this thesis concludes factors affecting the strategic management of SMEs and the application of strategic management tools, and provides targeted optimization suggestions to improve the management level of SMEs.

1.6 Research Methodology

This thesis conducts an in-depth study on the factors influencing the implementation of strategic management in Chinese SMEs, using SMEs in Guangdong Province as a sample. In this thesis, literature research method, questionnaire survey method, case study method and statistical analysis method are used to carry out the research.

(1) Literature research method. This thesis has reviewed a large number of references and research materials related to strategic management of SMEs in Guangdong Province to summarize and conclude the relevant research theories, including strategic management of enterprises, to lay a good foundation for this thesis.

(2) Questionnaire survey method. This thesis takes Guangdong Province SMEs as the sample, and collects information about the current situation of strategic management development of Guangdong Province SMEs by designing and distributing questionnaires, so as to analyze the problems in strategic management of SMEs in China.

(3) Case study method. This thesis takes a small and medium-sized enterprise in Guangdong Province, Company M, as a case study, and analyzes its implementation of strategic management and problems under the use of strategic management tools by investigating the strategic management situation within Company M. This thesis is used to confirm the influencing factors in the implementation of strategic management in Chinese SMEs.

(4) Statistical analysis method. Using the empirical analysis method to analyze the influencing factors of the development strategy of SMEs in Guangdong Province region, to derive the influencing factors that affect SMEs in Guangdong Province in the development strategy.

According to the design of thesis, the table1-1 shows the relationships among chapters, research questions, methods and results. Here is the overview of this thesis as follow table:

Chapters	Chapter's Name	Related Research Questions	Methods	Results
Chapter 1	Introduction			
Chapter 2	Theory research & literature review			
Chapter 3	Methodology			
Chapter 4	The Current Situation of SMEs in the Shenzhen	1. What are the factors that affect the strategic management of SMEs?	Literature research method	1. enterprise structure and strategic status 2. talent system 3. supply and sales relationship 4. financing environment 5. policy and legal environment
Chapter 5	Analysis of the Factors Influencing the Development Strategies of SMEs in the Shenzhen	2. How to construct an index system of strategic management influencing factors for SMEs?	Questionnaire survey & Statistical analysis method	Independent(X): Influencing Factors dependent(Y): Income Growth Rate
Chapter 6	Case Studies on the Application of Strategic Management Tools in the Implementation of Strategy in Shenzhen SMEs	3. What is the use and significance of management tools in improving the strategic management ability of SME?	Case study method	Balanced Scorecard
Chapter 7	Suggested Countermeasures to Optimally Enhance the Strategic Management of SMEs in the Shenzhen Region	4. How to improve the strategic management ability of SMEs?	Suggested Countermeasures	1. Strengthening the Internal Dimensional Management of SMEs 2. Building Favourable Social Relations 3. Optimising the External Environment for Enterprise Development
Chapter 8	Conclusions and Outlook			
Reference				
Appendix	questionnaire, others...			

Table 1.1 Corresponding Table of Chapters and Research Questions

1.7 Research Significance

This thesis study the factors influencing the strategy of SMEs, and judge the reasonableness and feasibility of strategic objectives in advance, prevent possible risks and react to different situations in a timely manner. In this process, giving full play to the advantages of strategic management tools and avoiding their drawbacks will help the "arrow" of strategic management to hit the bull's eye more accurately and powerfully. Therefore, the study of strategic management influencing factors and strategic management tools has profound implications in both theory and practice.

In addition, the thesis aims to promote the development of SMEs. SMEs as a whole have an important position and role in the social economy, highlighted in terms of accelerating economic growth, solving social employment, promoting market competition, and promoting organisational and technological innovation. Promoting the development of SMEs is of great significance. Specifically, there are the following points.

Firstly, promoting the development of SMEs is conducive to economic growth and increased wealth. SMEs contribute significantly to the economy, and exports from SMEs (private enterprises) continue to grow at a relatively fast pace, tax revenues from SMEs grow faster and contribute more to fiscal revenues. SMEs have become an important source of local revenue and have strongly contributed to the development of the urban economy.

Secondly, promoting the development of SMEs is conducive to increasing job opportunities and maintaining social stability. Large enterprises are usually capital-intensive, while SMEs are mostly engaged in labour-intensive industries. Even

in the same industries, SMEs have a lower proportion of capital than large enterprises and need to make greater use of human resources. The contribution of SMEs is indispensable to increasing employment opportunities in society and easing employment pressure.

Thirdly, promoting the development of SMEs is conducive to strengthening competition and promoting the effective allocation of resources. The main function of a market economy is to improve the rational allocation of resources through competition. Judging from the practical experience of developed countries, if large enterprises and conglomerates develop excessively without restriction, monopolies will easily be formed, which will seriously restrict free competition, reduce the vitality of enterprises and weaken their international competitiveness.

Fourthly, promoting the development of SMEs is conducive to promoting institutional innovation and technological innovation. SMEs are small in size, have low founding and management costs, and are quick to adapt to market changes. Compared with large enterprises, they are not restricted by rules and regulations, and it is cheaper to carry out institutional and technological innovation. At the same time, the real competitive pressure to survive gives them a greater incentive and enthusiasm to undertake technological change and institutional innovation.

1.7.1 Theoretical Significance

For a long time, scholars of neoclassical economics believed that large enterprises were the dominant enterprises in the process of economic development, and that the development of SMEs was constantly struck and merged by large enterprises, and that

SMEs were the supporting role of large enterprises in the development of the current economic situation. However, since the 1970s, this situation has begun to change, and the revival of SMEs has driven them to play a huge role in the process of socio-economic development, especially since the 1990s, when they have made a huge contribution to the growth of national GDP and have demonstrated their superiority in terms of innovation capacity in terms of technological innovation. Since China's reform and opening up, the development of SMEs has also made significant contributions to the growth of the Chinese economy and has been the backbone of the country's rapid economic growth. In the process of regional economic growth, places with better development of SMEs are also places with faster economic development. Through the practice of reform and opening up for more than forty years, it has been proved that the development of regional economy and SMEs have a close correlation, and SMEs are an important force to promote regional economic development, with an irreplaceable and extinct status. The theoretical significance of this thesis has the following aspects.

(1) It focuses on the study of the influencing factors of strategic management and broadens the research field. This thesis examines the strategic influence factors of SMEs from the perspective of evaluation, which enriches the research perspective and improves the theoretical construction of strategic management.

(2) The evaluation index system of strategic management influence factors of SMEs is proposed, and the theoretical study of strategic management influence factors is sounded. Based on the comprehensive management science, psychology and other disciplinary fields, this thesis proposes the evaluation index system of strategic management influence factors of SMEs, which becomes an innovation in the study of

strategic management influence factors of SMEs.

(3) The role of strategic management tools in the implementation of SME strategies and the problems encountered in the management process of SMEs are analyzed as an example of SMEs, so as to optimize the use of strategic management tools.

1.7.2 Practical Significance

In the context of rapid economic development, Guangdong Province as the national economic growth leader brings historic development opportunities and challenges for the development of enterprises in the Pearl River Delta region. Guangdong Province enterprises should accurately grasp the rapidly changing trends at home and abroad, make reasonable use of the advantages of the Guangdong Province and the advantages of SMEs themselves, seize the major opportunities in the period of strategic transformation to further improve their development and enhance their core competitiveness. Therefore, the research on the development of SMEs in Guangdong Province from the perspective of strategic management has the following practical significance.

(1) It is conducive to promoting the sustainable development of SMEs in Guangdong Province, identifying the weaknesses of SMEs in Guangdong Province in terms of development strategies as far as possible, and building a development strategy model suitable for SMEs in Guangdong Province, which can play a guiding role in the development of SMEs in this region.

(2) For SMEs in Guangdong Province, this thesis is necessary to promote scientific decision-making and improve market resilience of SMEs, help SMEs in Guangdong

Province to correctly formulate and effectively implement development strategies, avoid failure of SMEs in Guangdong Province in the process of strategic decision-making and operation, and at the same time promote the improvement of enterprises' own strategic management capabilities, so that SMEs can dynamically adjust the development strategies according to market changes in a timely manner. Promote the stable development of SMEs in the Guangdong Province.

(3) It can effectively improve the efficiency of resource allocation of SMEs in Guangdong Province, which is the need of SMEs in Guangdong Province to improve economic efficiency, improve the certainty of technological innovation and the promotion of management innovation and the interaction between system and technology, solve the problems that limit the sustainable development of Guangdong Province enterprises, and thus improve the survival rate and competitiveness of SMEs in Guangdong Province in the market competition.

1.8 Novelty of Current Study

(1) Theoretical innovations

Firstly, based on the existing research results, this thesis clearly elaborates the connotation of the concept of strategic management, and it constructs the index system of strategic management influence factors of SMEs, which lays a solid foundation for future theoretical research and enriches the theoretical research results.

Secondly, in terms of research perspective, this thesis starts from the research perspective of strategic management influencing factors of SMEs, and subdivides the strategic influencing factors at the social department level of SMEs, which is relatively

little in previous studies, so the research of this thesis not only helps to further improve the evaluation system of SMEs' development strategies, but also further advances the comprehensiveness of the research of SMEs' development strategy factors.

In addition, this thesis uses a combination of theory and case studies to apply the balanced scorecard theory in a case study of Company M. Specifically, this thesis first conducts a theoretical analysis to propose the general idea and specific practice of strategic management using the balanced scorecard, and then analyses the case study in conjunction with the case study. This thesis proposes that the general idea of balanced scorecard strategy management is to establish a balanced scorecard strategy management system through strategy analysis and determination, strategy description, strategy shaping and resource allocation, strategy implementation and strategy feedback. The specific practices of balanced scorecard strategic management include: clarifying the strategic objectives, vision and mission of the company; launching publicity, education and communication; establishing a specific indicator system and criteria for the four dimensions; establishing a clear strategy map; data processing; indicator decomposition; formulating performance evaluation indicators and feedback and improvement, etc. On this basis, the experiences and shortcomings of the application of the balanced scorecard in Company M are analysed and conclusions are drawn.

(2) Practical innovation points

Firstly, this thesis analyzes the strategic management situation of SMEs in Guangdong Province by constructing a strategic management impact factor index system, and derives the current situation of the strategic management capability of SMEs in

Guangdong Province, which provides a realistic basis for subsequent research and management.

Secondly, this thesis makes targeted suggestions for improvement based on the actual situation, and provides directional guidance for the improvement of strategic management capability of Chinese SMEs.

Again, this thesis verifies the role of strategic management tools in SME strategy implementation, and analyzes the problems encountered in the process of strategic management tools in SME business management, and discusses ways to improve the effectiveness of strategic management tools application.

Although there are more studies on strategic management and SMEs by domestic and foreign scholars, there are relatively few studies related to SMEs in a specific regional area and the factors influencing development strategies. This thesis takes SMEs in the Guangdong Province as an example to help guide the development of SMEs in strategic management in the Guangdong Province, as well as to stimulate the market economy in the Guangdong Province and help other scholars to provide a reference system for solving problems in their future research on the development of SMEs.

1.9 Limitation of Study

Firstly, the research object of this thesis is only SMEs in Guangdong Province, which is somewhat limited in scope and cannot better reflect the specific status of SMEs.

Secondly, due to limited resources, this thesis does not obtain enough about the specific situation information of each SME in Guangdong Province, so this thesis only presents a macro view of the development strategy of SMEs in the whole Guangdong Province

from a broad perspective, and then analyzes it to put forward its own opinions. Thirdly, there are many problems faced by small and medium-sized enterprises, and the research object of this article is limited to the strategic aspects of small and medium-sized enterprises. Fourthly, the business society is a dynamic development process, and the problems faced by small and medium-sized enterprises are a dynamic state. The object of this study is to analyze based on past and current information. Therefore, there may be some shortcomings in this article regarding the uncertainty that will occur in the future. In the future, we hope that more people will come to analyze the development of SMEs in Guangdong Province in detail and find out practical theoretical approaches to help SMEs in this region to achieve better and more sustainable development.

CHAPTER 2

LITERATURE REVIEW

Based on the theme of this study, this study analyzes the research topics from three levels: basic theory of small and medium-sized enterprises, strategic management theory, and management tools. Considering the purpose of the study, these three levels are set to clearly show the relationship between the foundation of strategic management of SMEs, the main body and the application of specific management tools. First of all, as far as the term SME is concerned, this thesis describes the definition, importance, characteristics, factors affecting the development of SME, and the strategic management characteristics of SME. The analysis of SME is an important theoretical support for the research object of this thesis. Next, the research of this thesis focuses on the strategic management of SME and summarizes separately the strategic management theory from the concept, content, mainstream views and general methods. The reviews of relevant theories in strategic management can provide theoretical support for the research of this thesis. Finally, this thesis makes systematic assessments on strategic management, strategic management tools and balanced scorecard according to the sequence of time development. These studies provide the theoretical basis and research ideas for the study of this thesis.

2.1 SMEs Theory Basis

There is no standard internationally for the definition of the concept of SMEs. Due to the differences in the level of economic development of different regions and countries,

the definition of SMEs differs between countries. The classification of SMEs is based on the size of the enterprise. Generally speaking, enterprises with small or medium business scale are called SMEs. In qualitative terms, the definition is based on the quality of development and status of the enterprise, and in quantitative terms, it is based on the assets, number of employees and turnover of the enterprise.

(1) Quantitative Definition Criteria

The quantitative definition method is based on three criteria, including the number of employees, the amount of assets, and the turnover of the enterprise.

The standard of the number of employees is an evaluation criterion used by most countries and regions to evaluate the size of an enterprise from the perspective of the "human" element of the number of employees.

The evaluation criterion of the amount of assets is a criterion for evaluating the size of an enterprise from the perspective of the "physical" element of physical value and physical form. This criterion is difficult to distinguish assets, so it is less operational and difficult to measure.

Turnover standard is a measure of the size of an enterprise based on the level of production and operation of the enterprise. This measure is more difficult to measure due to the large fluctuations, so this criterion is less credible.

The quantitative standard is very relative in terms of space, time, and the enterprise itself. In space, due to the differences in regional preferences caused by various local factors, there are differences in the quantitative standards adopted; even if a unified standard is adopted for measurement, the corresponding value range will be somewhat different. Secondly, the standards and value ranges adopted by different industries will

also be different, so there is a certain degree of relativity in space. In time, even if the same evaluation criteria are used in the same industry in a country or region, the corresponding value range will change with the change of economic development stage. Finally, from the perspective of the enterprise itself, there is also a certain degree of relativity, compared with large enterprises in the same business industry, SMEs are smaller enterprises, but with the continuous development and changes in the social and economic environment, SMEs may develop into large enterprises in the industry in the process of development, and large enterprises in the industry may also be decomposed or declining according to the changes in the environment. Therefore, the definition of the enterprise itself has a certain degree of relativity.

(2) Qualitative Definition Criteria

The qualitative definition criteria for SMEs are based on three characteristics: whether the enterprise is independently owned, whether it is self-owned/private nature, and whether its share in the market is small, among which whether the enterprise is independently owned is a necessary condition for the qualitative definition criteria. Compared with the quantitative classification criteria, the qualitative definition method is more stable and better reflects the internal vitality characteristics of SMEs in the development process, which is more conducive to SMEs to grasp the development of enterprises from a long-term perspective. Secondly, SMEs are in a disadvantaged position in the competitive market environment of the industry, which makes the development of SMEs constantly receive attention from the government and all walks of life, and the corresponding support policies provided by the government for the development of SMEs to a certain extent make up for the market defects and maintain

fair competition in the competitive market environment, thus promoting the overall improvement of social and economic benefits, while the qualitative definition is based on whether the enterprise has monopoly status in the business industry as the standard dividing line, which can provide a basis for the government's decision to support SMEs.

2.1.1 Definition of SMEs in China

As the most vibrant part of the national economy, small and medium-sized enterprises (SMEs) all over the world are offered preferential policies by their governments. With the development of the China economy and the changing economic environment, the criteria for classifying SMEs in China are also changing. As a supporting measure for the implementation of the SME Promotion Law, which went into force on 1 January 2003, China's State Economic and Trade Commission, State Development Planning Commission, Ministry of Finance and State Statistical Bureau had jointly published a set of interim regulations on the classification standards for SMEs. The Interim Regulations for Small and Medium Enterprises promulgated in 2003 clearly stipulate the upper limit of the classification of SMEs, with the number of employees, total assets and sales of enterprises as the relevant indexes for the classification of SMEs. SMEs are classified according to their number of employees, annual turnover and total assets. The classification standards for SMEs in the following sectors are: industrial and construction -- less than 2,000 employees, turnover not exceeding Rmb300 million, or total assets lower than Rmb400 million; retail -- less than 500 employees or turnover less than Rmb150 million; wholesale -- less than 200 employees or turnover under Rmb300 million; posts/telecommunications and transportation -- turnover not exceeding

Rmb300 million or no more than 1,000 or 3,000 employees respectively; hotel and catering -- less than 800 employees or turnover not exceeding Rmb150 million.

At the same time, according to the characteristics of the industries in which the enterprises operate, the size of enterprises in the industries of construction, transportation, industry, accommodation and catering, postal services, retail and wholesale are defined accordingly. It is a more comprehensive and systematic definition of enterprises in various industries in China. According to the *Interim Regulations on SME Standards*, the criteria for defining SMEs in China are as follows.

Table 2.1 Criteria for classifying SMEs in China

Industry name	index	small	medium
Industry enterprises	Number of employees	300 or less	300-2000 or less
	Sales(ten thousand yuan)	3000 or less	3000-30000 or less
	Total sales(ten thousand yuan)	4000 or less	4000-40000or less
Construction industry	Number of employees	600 or less	600-3000or less
	Sales(ten thousand yuan)	3000 or less	3000-30000 or less
	Total sales(ten thousand yuan)	4000 or less	4000-40000or less
Wholesale industry	Number of employees	100 or less	100-200or less
	Total sales(ten thousand yuan)	3000 or less	3000-30000 or less
retail	Number of employees	100 or less	100-500 or less
	Total sales(ten thousand yuan)	1000 or less	1000-15000 or less

	yuan)		
transportation	Number of employees	500 or less	500-3000 or less
	Total sales(ten thousand yuan)	3000 or less	3000-30000 or less
Postal industry	Number of employees	400 or less	400-10000 or less
	Total sales(ten thousand yuan)	3000 or less	3000-30000or less
Accommodation and catering	Number of employees	400 or less	400-800 or less
	Total sales(ten thousand yuan)	3000 or less	3000-15000 or less

Source: *Interim Regulations on SME Standards (State Economic and Trade SME (2003) No. 143) 2003.02*

The definition criteria of SMEs in China in 2003 were a bit too broad compared with those of other countries and regions, which led to a certain hindrance in the implementation of various public policies for SMEs and the results achieved were not satisfactory. Therefore, scholars re-customized the definition criteria of Chinese SMEs in 2008 according to the development needs of Chinese SMEs, and issued the *Notice on the Issuance of the Regulations on SME Classification Criteria* in 2019, which re-defined the criteria for the classification of various industries (as shown in Table 2-3). This time, the definition method increased the previous three classification criteria to four, dividing small enterprises from micro enterprises; secondly, it was expanded to 14 definition criteria in 15 industries on the basis of 5 definition criteria in 8 industries in 2003; finally, the defined indicators are still personnel, turnover and total assets, but the

scope of the volume has been relatively narrowed.

Table 2.2 Criteria for classifying SMEs of China in 2019

Industry name	index	small	medium
Industry enterprises	Number of employees	20-300 or less	300-100 or less
	Sales(ten thousand yuan)	300-2000 or less	2000-4000 or less
Construction industry	Sales(ten thousand yuan)	300-6000 or less	6000-80000 or less
	Total sales(ten thousand yuan)	300-5000 or less	5000-80000or less
Wholesale industry	Number of employees	5-20 or less	20-200or less
	Total sales(ten thousand yuan)	1000 -5000or less	5000-40000 or less
retail	Number of employees	10-50 or less	50-300 or less
	Total sales(ten thousand yuan)	100-500 or less	500-20000 or less
transportation	Number of employees	20-300 or less	300-1000 or less
	Total sales(ten thousand yuan)	200-3000 or less	3000-30000 or less
Postal industry	Number of employees	20-300 or less	300-1000 or less
	Total sales(ten thousand yuan)	100-2000 or less	2000-30000or less

	thousand yuan)	less	less
Accommodation and catering	Number of employees	10-100 or less	100-300 or less
	Total sales(ten thousand yuan)	100-2000 or less	2000-10000 or less

Data source: Website of the State Administration for Industry and Commerce of China

2.1.2 Definition of SMEs Abroad

The law enacted in the United States for its SMEs defines enterprises that operate independently and do not occupy a monopoly position as SMEs; however, the criteria for classifying enterprises in different industries are different. In general, enterprises with less than 500 employees are SMEs.

The classification of SMEs in Japan is based on industry and has composite criteria. The criteria for defining industries such as manufacturing, wholesale, retail, and service are specified, and both personnel and capital criteria are set for each industry, and as long as one of the criteria is met, it is defined as an SME. The EU countries define an enterprise as an SME if it has no more than 250 employees and its output value does not exceed 40 million Euros or its liabilities do not exceed 27 million Euros, and if it is not simultaneously owned by one or more large enterprises with more than 25% of the shares, as Table 2-1 shows.

Table 2.3 Criteria for defining SMEs in the US, Japan and the EU

Country/Region	SMEs Definition standards
America	No more than 500 employees
Japan	<p>Manufacturing : less than 300 employees or less than 300 million yen in capital</p> <p>Wholesale business: the number of employees is less than 100 or the capital is less than 100 million yen</p> <p>Retail industry:the number of employees is less than 50 or the capital is less than 50 million yen</p> <p>Service industry:less than 100 employees or less than 50 million yen in capital</p>
European Union	<p>The number of employees is less than 250 and the annual output value is not more than 40 million euros,or the total annual debt of the company is less than 27 million euros,and no large company holds more than 25% of the shares.The number of SMEs is less than 50,the output value is no more than 7million euros,or the debt is less than 5 million,and the enterprise with independent legal person status are small enterprises</p>

2.1.3 The Importance of SMEs

Although the scale of SMEs is small, they are numerous. Compared with large enterprises, SMEs are at a disadvantage in terms of overall strength and scale, but they have the advantage of flexible mechanisms and sufficient development momentum,

which has established the important position of SMEs in the national economy and social development, specifically in the following aspects.

(1) Relieving Employment Pressure

According to the statistics of the *China Federation of Industry and Commerce*, based on the government's active adoption of policies to support the development of SMEs, 60% of laid-off workers are able to realize re-employment, and 70% of them are employed in SMEs. As of 2016, SMEs have provided 500-600 million jobs for surplus rural laborers in the process of industrialization, which is of great significance in alleviating China's employment problem and promoting social harmony and stability.

(2) Promoting Specialized Division of Labor

Small and precise enterprises play an important role in promoting modern production, no matter what kind of large enterprises, they are developed by high-quality SMEs. They are able to concentrate their advantages and resources to achieve specialized production, which is conducive to the promotion of specialized division of labor in society, laying a solid foundation for the specialized production of large enterprises and improving the level of specialization of the whole market.

(3) Optimization of Industrial Structure

First, in the process of optimizing the economic structure and upgrading the industrial structure, some SMEs are rapidly emerging, some SMEs are dying out in the fierce market competition. In particular, China is currently in a new normal period of economic development, and finding new economic growth points is not only an economic issue at the national level, but also a focal issue that most SMEs need to face in their business strategy management. The original industrial structure and policies can

no longer meet the requirements of modern economic development and construction, and new methods and means need to be sought to promote economic structure optimization and industrial structure upgrading. In addition, most of the SMEs have the spirit of adventure and pioneering consciousness, and in the process of elimination of the fittest, SMEs can continuously optimize the allocation of resources and activate the market economy, making some of the outstanding SMEs become the backbone of the national industrial structure optimization and transformation.

(4) Promoting the Development of National Economy

First, SMEs are an important foundation for the development of the national economy. From the end of the 19th century to the beginning of the 20th century, the capitalist economy dominated the world and monopoly replaced free competition, but even so, SMEs were not completely subsumed and still played an important role. After the Second World War, especially since the 1980s, SMEs have developed rapidly against the backdrop of the third wave of industrial revolution sweeping the world. In China, SMEs have become an important part of the national economy, especially in the tertiary industry, where SMEs have obvious advantages in terms of employment, number of enterprises and GDP contribution.

Second, SMEs are the collaborators of large enterprises. In order to enhance the international competitiveness of enterprises, Japan has implemented the "serial production system", which makes small enterprises collaborators of large enterprises, implemented the "just-in-time system", realized zero inventory of large enterprises, and established long-term and stable cooperative relationships between large enterprises and SMEs. This not only helps to promote the development of large enterprises, but also

expands the development space of SMEs and reduces business risks. For example, Toyota Motor Corporation has driven the development of a large number of supporting parts manufacturers in the process of entering the international market. For China, cooperation between SMEs and large enterprises is also very necessary, and the establishment of a coordinated and cooperative relationship between them is conducive to enhancing the overall strength of the national economy.

Third, SMEs are important regulators of economic change. In the 1980s, Korea actively protected and supported the development of large enterprises in the process of economic development, maintained the monopoly position of large enterprises in the market, and formed an economic growth system centered on large enterprises, but the national economy also relied heavily on a few conglomerates to ask questions. After the outbreak of the financial crisis in Southeast Asia, social capital and bank credit were concentrated in large conglomerates, which would likely cause bank financial risks and lead to social and economic instability in the event of a crisis in large enterprises. In recent years, China's economic development has entered a new normal, and the state has paid more and more attention to the development of SMEs, especially after the concept of "Internet+" was introduced, the state has gradually increased its support for SMEs, and more and more SMEs relying on the Internet have gradually developed, and SMEs and large enterprises have established an interdependent group to achieve division of labor and complementary advantages.

Fourth, SMEs are the supporters of the local economy. Many countries take SMEs as an important force to promote the development of economically backward areas, and SMEs gradually assume the role of "local economic supporters", taking the small and

medium-sized home appliance enterprises in Shunde City as an example, in the context of the continuous development of e-commerce, a number of SMEs based on e-commerce have emerged in Shunde City, forming local characteristics has a positive effect on the promotion of Shunde's economic development. For example, the construction of small towns with local characteristics in Zhejiang is inseparable from the support of the development of small and medium-sized enterprises with local characteristics, such as root carving enterprises in root carving towns, ceramic production enterprises in ceramic towns, and so on.

2.1.4 Characteristics of SMEs

(1) Quick Response

Compared with large enterprises, SMEs are small in scale and have limited resources. Once there are significant changes in the business environment, large enterprises can maintain their original development trajectory for a period of time with their strong strength, but SMEs must make changes and adjustments quickly, or they are likely to become victims of changes in the business environment. The demand for survival and development makes SMEs form a good rapid response ability, often able to make changes quickly to meet market demand, and the mechanism is more flexible.

(2) Strong Innovation Capability

In order to survive and develop, SMEs must carry out technological innovation and product innovation, which is different from large enterprises. Large enterprises are limited by input constraints and are often willing to innovate only in some processes or gradually improve previous technologies and products, while SMEs are often able to

start from scratch and achieve leapfrog technological innovation and product innovation.

(3) Low Internal Management Cost

Compared with large enterprises, the internal organizational structure of SMEs is relatively simple, which can greatly reduce the cost of departmental relationship coordination. The managers of SMEs are often the owners of the enterprises, which can reduce the agency costs in the principal-agent relationship. Therefore, SMEs have relatively low internal management costs, a simple internal structure, and certain advantages in operational efficiency.

2.1.5 Influencing Factors of SMEs development

The development of SMEs is the result of the joint action of many influencing factors, and these common factors have intertwined, influencing and constraining interrelationships, which in turn constitute the organic development of SMEs as a whole. Among the many relevant influencing factors, they are roughly divided into external environmental influencing factors and internal influencing factors of enterprises. In this thesis, we select the factors that have a significant impact on SMEs and elaborate them as follows.

(1) Market Environment

In the current market economy, Chinese SMEs are under great competitive pressure, and their development is influenced by their products, the corresponding customer resources, the business environment and the survival technology. The development of SMEs must be based on the basis of market demand. Currently, most SMEs are engaged in low level

products with low technology content, fast update rate and rapid changes in market demand in their production and operation process. Therefore, to obtain long-term development, SMEs must produce products with greater market demand in order to improve the economic efficiency of enterprises in the production and operation process, and only the improvement of the level of profitability of enterprises can promote the further development of SMEs. It can be seen that market factors have an important influence on the development of SMEs.

(2) Financing Environment

The development of enterprises is inseparable from financial support, and the financial conditions and financial resources for the development of SMEs are the basis for the development of SMEs. In the current social and economic environment, the financial situation of enterprises is a key constraint bottleneck for the further development of SMEs. The difficulty of financing is a common problem encountered by all SMEs in their development, the reasons for which are: firstly, SMEs have low creditworthiness due to their small scale; secondly, SMEs have a single property right structure and lack of financing collateral, which makes it difficult for SMEs to finance. The financing environment has a very important impact on the development of SMEs and is an indispensable and important influencing factor for Chinese SMEs in their development process.

(3) Regional Environment

There are certain differences in the development of each region, such as the economic level, regional culture and technology level of a region all have an important impact on the development of SMEs in this region. The human resource system, the level of

economic development and the perfection of the social service system in a region are the conditions for the survival and development of SMEs in the region, and the inherent regional culture of the region affects the consumption tendency of the enterprise's customer base and the direction of SME business development. The development of small and medium-sized enterprises must be combined with the regional environment, combined with the changing needs of customers to adjust the direction of enterprise development in a timely manner, innovative business products and services, in order to be accepted by the competitive market environment, and then promote the development of small and medium-sized enterprises.

(4) Political Environment

The political environment mainly refers to the political factors affecting the development of SMEs, including government policies, political systems and government policy guidelines and other political elements. The political factors play a role in the development of SMEs through the influence of government policies, and the policies formulated by the government that affect the development of SMEs are the result of a combination of factors. For example, government policies on minimum wage, labor protection, import and export restrictions, government subsidies, and purchasing have a strong influence on the development of SMEs. At the same time, the laws and regulations made by the government have a compulsory role in regulating the market and the business behavior of enterprises, and the tax policies and property rights protection policies made by the government are all direct factors influencing the development of SMEs. A good political environment is an important influencing factor for the development of SMEs.

(5) Innovation Ability

Whether an enterprise is able to make independent innovation and develop new technology in the process of development will directly affect its competitiveness in the process of market competition. For the development of SMEs, a good innovation environment is the accelerator and driving force for the rapid development of SMEs. The ability of SMEs to innovate and invent technologies and patents plays an important role in the development of enterprises and their profitability in the process of market operation. The development of SMEs is inseparable from the innovation of technical products. Without the innovation ability of technical products, it is difficult for SMEs to realize the development and progress of enterprises, and there will be no future development of enterprises. Therefore, the innovation ability of SMEs is also an important influencing factor for the development of SMEs.

2.1.6 Strategic Management Characteristics of SMEs

Due to the influence of scale and strength, compared with medium and large enterprises, the strategic management of SMEs has the following three characteristics: Firstly, the strategic management of SMEs is flexible. When implementing strategic plans, SMEs can flexibly grasp the core strategic objectives and "have strategy in mind" instead of rigidly implementing strategic planning steps. SMEs can make adjustments at any time according to the specific situation of strategic management. Secondly, the strategic management of SMEs is influenced by individual subjectivity. Most Chinese SMEs' strategic plans are made directly by the owners or top managers, so the scientificity of the strategic plans and the effectiveness of the strategy implementation are largely

influenced by the quality of individuals. Finally, the duration and scope of strategic management of SMEs are limited. Generally speaking, SMEs do not have a long-term systematic strategic plan, they will make a strategic plan with a short duration and limited scope according to their own advantages and characteristics.

2.2 Theories Related to Strategic Management

2.2.1 Concept of Strategic Management

The term strategy was first used in the military context. In the West, the word "strategy" is derived from the Greek word "strategos", and *Webster's Dictionary* explains strategy as "the science of planning and directing large military operations, deploying and moving troops into the most advantageous position before a formal engagement with the enemy. The Webster's Dictionary explains strategy as "the science of planning and directing large military operations, deploying and moving troops into the most advantageous positions before a formal engagement with the enemy. Clausewitz, the famous German management scientist, explained the term more concisely: "Strategy is the use of combat to achieve the ends of war" . In China, the term strategy has a long history and was first used in Sun Wu's "*The Art of War*" during the Spring and Autumn Period, where the word "war" refers to war and "strategy" refers to "tactics and deception": the *Encyclopedia of China - Military Volume* defines strategy as " Strategy is a strategy to guide the overall situation of war, i.e. the guidelines, policies and methods of preparation and implementation of war formulated and adopted by the war director in accordance with the laws of war in order to achieve the political objectives of

war." Later, with the development of society, the scope and field of application of the term "strategy" was gradually expanded and introduced into various fields such as politics, economics and management, and its connotation was enriched and developed, and it was proved that strategy refers to the strategy, program and countermeasures that are overarching and global in nature and can determine the victory or defeat of an organization. Strategic management is a concept developed on the basis of the word "strategy", and the understanding of "strategic management" in academic circles is very diverse.

2.2.2 Content of Strategic Management

(1) Strategic Analysis

The main purpose of strategic analysis is to evaluate the key factors affecting the current and future development of the strategic subject and to identify the specific influencing factors in the steps of strategic selection. Strategic analysis is to formulate a strategic vision and business mission by analyzing itself and the external environment: to indicate the future scope of business and the way forward, thus proposing a long-term development goal.

(2) Strategy Formulation

After understanding and analyzing the external and internal environment, identifying all its strengths and weaknesses, as well as the opportunities and threats it faces, the strategic subject should formulate and design a business strategy plan for survival and development, evaluate the business strategy plan, and make a final decision. At the same time, the policies of the management strategy are clarified around the

requirements of the management strategy, and the conditions for the implementation of the management strategy are provided. Strategy formulation is an important task of strategic management, which mainly addresses the following issues: how to accomplish strategic goals, how to obtain sustainable competitive advantage, and how to achieve sustainable development.

(3) Strategy Implementation

Strategy implementation is the action stage of strategic management, which is the process of transforming the established strategy into actual action and achieving results. It refers to all actions taken to achieve the strategic objectives through a series of administrative, economic and legal means. The key to strategy formulation is its correctness, while the key to strategy implementation is its effectiveness. The success or failure of strategy implementation depends on whether the resources and management functions of organization, capital, personnel and technology necessary for strategy implementation can be effectively mobilized and reasonably allocated.

(4) Evaluation and Control of Strategy

The evaluation and control of the strategy is to determine how effective the strategy implementation process is in achieving its goals. The process of strategy formulation is subjective, and its real value can only be verified through practice. The evaluation of the strategy implementation process will further identify whether the analysis of the external environment is correct, whether the developed strategic approaches and tools are effective, etc. From there, strategic gaps are identified, the causes of deviations are analyzed, and the changing objectives are modified according to the changing environment so that strategic actions are better aligned with the environment and the

objectives to be achieved.

2.2.3 Mainstream Views of Enterprise Strategy Management

With the development of social economy, culture, science and technology and the accumulation of practical experience in business operation, different enterprise strategy ideas and strategic theoretical perspectives have been formed. To summarize, there are mainly the following views.

(1) Classical View

Representative figures: Igor Ansoff; Michael Porter

Classical view: Strategy formulation is a rationalization process with careful calculation and analysis, and the goal of strategy formulation is to maximize long-term competitive advantage. The external environment and the organization itself can be predicted and shaped and modified according to the carefully crafted plans of top managers, if sufficient effort is devoted to gathering information and applying appropriate analytical techniques. For those who hold a classical view, a good planning process is an activity that is done to keep track of the internal and external environment. The importance of strategy suggests that only organizations that engage in rational analysis and goal-based decision making can ensure long-term success and avoid failure.

The development of strategy is based on rational analysis of the objective environment and the state of the company's own operations, and its adaptation is mainly aimed at those industries in which the macro environment is relatively stable or regular, and which are able to develop corporate strategies through rational thinking and the use of relevant analytical tools.

(2) Evolutionary Perspective

Representative figures: Hannan; Freeman or Oliver Williamson

Perspective: It is believed that the classical sense of future-oriented rationalized planning view often does not reflect reality. The environment is too complex and unpredictable to make effective foresight. Here, evolutionary theorists offer a powerful paradox: the dynamic, hostile, and competitive nature of markets means that not only can the long-term survival of firms not be planned in advance, but also that only those firms that adhere to a profit-maximizing strategy are indeed guaranteed to survive. Businesses are like biological species in evolution: the process of competition ruthlessly selects those species that are best suited to survive, and those that are unable to change themselves quickly and adapt to their environment are eliminated and become extinct. According to the evolutionary perspective, it is the market, not the managers, that makes the important choices. Successful strategies will only emerge from the aggregation of judgments and choices made by the laws of nature. The only thing managers can do is to ensure that their work is as efficient as possible to meet the needs of today's environment.

(3) Process Perspective

Representative figures: Silt and March; Mintzberg; Pettigrew

Perspectives: Long-term planning is largely ineffective, but they are not very pessimistic about the fate of companies that in some ways do not adapt well to their environment. Both for the classical process of strategizing and for the evolutionary view of survivalism, the organizational and market processes of these firms rarely reach the conditions of perfection. As Silt and March argue, the vast differences in people's

respective interests, limitations of understanding, uncertainty of attention, and carelessness in action make it impossible to unite and execute a perfectly calculated plan. In any case, as circumstances change, plans are sure to fade into oblivion. In practice, strategy is more likely to emerge from a practical process of learning and compromise than from a series of rational strides. Strategy is not very important if the contingency strategy is not very desirable. In fact, the market challenge process is very lenient: for no one else can know what the optimal strategy is, no one can stick to a particular strategy forever, and the failure to develop or execute a perfect strategic plan will give a firm almost no fatal competitive advantage.

In his classic article "Crafting Strategy", Mintzberg elaborated his view of crafting strategy: the process of forming strategy is similar to the process of making pottery by craftsmen, which is a process of feeling, trying, learning, and adjusting; the formation of strategy is usually the result of proper consideration beforehand, learning by doing during the process, and summarizing and improving afterwards.

(4) Systematic View

Representative figures: Grano; Witt; Wheatley

Viewpoint: Strategy is indeed important, but it is not as important as the classical viewpoint suggests. The systems view is not as pessimistic as the process view about people's ability to design and implement rational action plans, and it shows a more optimistic attitude toward people's ability to determine strategy on their own, ignoring market forces, than the evolutionary view. Based on Granovetter's emphasis on the social "embeddedness" of economic activity, the systems view suggests that the goals and practices of strategy depend on the particular social institutions in which

strategy-making activities take place. Strategists often deliberately deviate from the rules of profit maximization, and their social context may lead them to be interested in goals other than profit, such as professional achievement, managerial power, or perhaps national patriotism. In pursuit of these various goals, strategists sometimes even sacrifice profit maximization, a pursuit that is perfectly rational, though often disguised as such. On the other hand, strategists may deviate from the textbook rules of rational calculation, not because they are silly and ridiculous, but because they make no sense in the culture of the environment in which they work.

(5) Industrial Organization School View

The industrial organization school believes that the external environment has a decisive influence on firms' strategic actions, and this school (model) has developed four basic assumptions: first, the external environment is the limiting factor that causes firms to choose strategies to achieve high profits; second, most firms competing in the same industry or market segment have the same strategic resources and have similar strategies; third, the resources used to implement strategies, resources to implement the strategy can be easily moved among firms; fourth, decision makers are rational and will act in the best interest of the firm.

According to this school of thought, only firms that have developed or acquired the internal skills required by the strategy determined by the external environment are likely to succeed, while the opposite is likely to fail. Thus, the high profitability of a firm is determined by the characteristics of the external environment rather than by the unique internal resources and capabilities of the firm.

(6) Resource and Capability School View

The core competency of the enterprise, Competitive Future, by Prahalad and Hamel is the representative. According to this school, core competence is "the new knowledge accumulated by organizations, especially the knowledge of how to coordinate different production skills and organically combine multiple technical schools": it is believed that corporate strategy is mainly about cultivating the unique strategic resources of a company and the ability to maximize the optimal allocation of such strategic resources. Differences in the strategic resources of enterprises and their ability to use them become the source of their competitive advantage and are an important cause of the differences in performance between enterprises, resulting in differences in their core competencies. The formation of enterprise core competence requires continuous accumulation of various resources needed to formulate strategies, continuous learning, innovation and transcendence. Only after the core competency reaches a certain level can an enterprise form its own unique strategic resources that cannot be easily imitated, substituted and possessed through a series of combinations and integrations, and only then can it obtain and maintain a sustainable competitive advantage.

The core competencies of the enterprise present the psychological characteristics of the organizational team, reflecting the goals, vision, beliefs, values and other cultural elements of the enterprise, and the behavioral characteristics of the cohesive enterprise team are difficult for competitors to emulate.

(7) Blue Ocean Strategy

Representative figures: Qian Jin; Llewyn Mauborgne

Viewpoint: Value innovation is the strategic logic of high growth of a company. They divide the strategies currently used by companies into red ocean strategy and blue ocean

strategy. The Red Ocean represents all industries that exist today, which is our known market space; the Blue Ocean represents industries that do not yet exist today, which is the unknown market space.

In the Red Ocean, the boundaries of each industry have been drawn and accepted, and the rules of competition are known. Here, companies try to beat their rivals to grant a larger market share. As the market space becomes more crowded, the future of profit and growth becomes dimmer and dimmer. Products become goods, and brutal competition makes the Red Sea more and more blood-soaked. In contrast, the Blue Ocean represents the much-needed market space, representing the creation of new demand, representing the opportunity for high profit growth. While some Blue Oceans are created entirely outside the boundaries of existing industries, most Blue Oceans are created by expanding the boundaries of existing industries within the red oceans, where competition is impossible because the rules of the game are not yet in place.

The Red Ocean strategy is a "bloody" strategy, which belongs to the traditional competition strategy, is a zero-sum game, the value of enterprises and consumers not only did not improve but also reduced; while the Blue Ocean strategy can make enterprises out of the bloody "Red Ocean", open up no rival. The "blue ocean" is a multi-win strategy, in the wide and deep "Blue Ocean", the value of the enterprise and the customer increases simultaneously.

Traditional competitive approaches are generally confined to the industry, the strategic group and existing customers, and adopt a passive and adaptive approach. For example, they define their own industry in a similar way to other companies and want to be the best in the industry; look at their own industry using generally accepted business

classifications (e.g. premium, mid-range and low-range products) and try to be the best in it; and focus on the same customer base and develop strategies at the same point in time. People are thinking in the same way to develop competitive strategies, resulting in competitive convergence. In order to break the "Red Ocean" deadlock, companies must break the established boundaries that limit competition and move out of the "Red Ocean" to create a new world, a "Blue Ocean".

The Blue Ocean strategy goes beyond the industry, the strategic group, the existing customer base, etc., and goes beyond the current competitive model by answering four closely related questions: which elements that the industry takes for granted need to be removed; which elements should be reduced to below the industry standard; which elements should be increased to above the industry standard; which elements that the industry has never had before need to be created and implemented. "In this process, two complementary features are emphasized, namely focus, differentiation, and a compelling communication theme.

2.2.4 General Methods of Strategic Management of Enterprises

(1) Porter's Five Forces Model

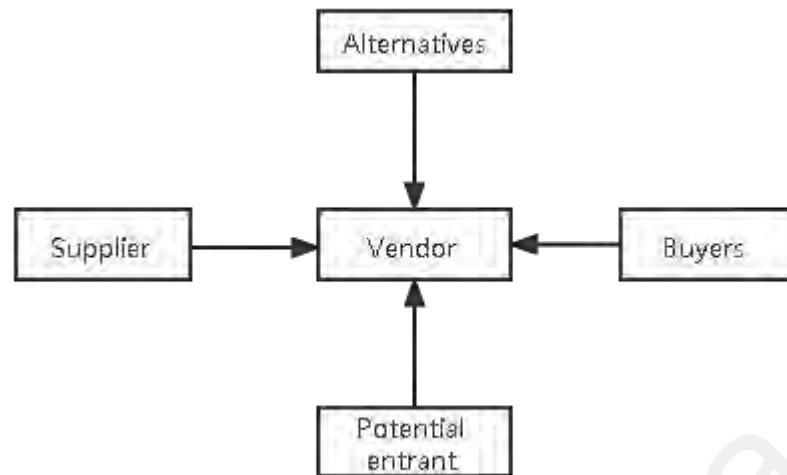


Figure 2.1 Porter's Five Forces Model

Porter's Five Forces Model is a very powerful analytical tool that helps to systematically, deeply and thoroughly analyze and elaborate the major competitive pressures in the market and their characteristics, and to determine the intensity and degree of each competitive pressure and the overall competitive structure. Not only is the most widely used competitive analysis tool, but it is also a very easy to understand and apply analysis tool.

However, a company's competitive environment is not only limited to the industry environment, but also the macro environment and its own resource and capability conditions, which are the key variables affecting the company's strategy, and lacking in Porter's five forces model analysis tool. At the same time, Porter's five forces model only qualitatively analyzes the competitive state of enterprises but not quantitatively studies the competitive power and structure of enterprises.

(2) Environmental Scanning Technology

The so-called Environmental Scanning Technology is to systematically and comprehensively study and interpret the conditions of the political, economic, social,

cultural, and technological environment in order to accurately identify trends and circumstances that will become strategic drivers, design courses of action, and use expert knowledge to determine various planning and business strategies in a focused and consistent manner.

Environmental Scanning Technology help managers extend the planning time horizon, convert vague signals of future opportunities or threats into clear strategic questions, find answers to strategic questions, and think strategically about future trends of change in the surrounding environment. However, the Environmental Scanning Technology is highly qualitative and subjective; it relies to a greater extent on managers' knowledge and experience, and cannot objectively and quantitatively study the characteristics of environmental changes in the company and their extent.

(3) Strategic Group Positioning Technique

The Strategic Group Positioning Technique is a method of determining the competitive position of an enterprise by listing typical variables that can distinguish each manufacturer on a variable map and classifying the manufacturers that fall roughly in the same strategic space into the same strategic group with circles.

The Strategic Group Positioning Technique can identify the most important competitors in a highly competitive market and bridge the gap between the overall analysis of the industry and the analysis of the position of individual companies in the industry.

However, Strategic Group Positioning Technique are ultimately complementary to other strategic analysis techniques. If there are fewer competitors, strategic group positioning techniques are no longer suitable, and if there are more than two competitive variables suitable for use as graphical axes, then multiple graphs must be drawn, making them

complex and difficult to synthesize. In addition, Strategic Group Positioning Technique are static reflective techniques without dynamic characteristics.

(4) SWOT Analysis Method

SWOT is the analysis of a company's resource strengths (S) and weaknesses (W), as well as external opportunities (O) and threats (T), so as to provide an overall overview of a company's business position.

The theoretical basis of SWOT analysis is that the goal of strategy formulation must be to find a good match between the creation of a business strategy and the external environment and internal conditions of the company. Therefore, the SWOT analysis is a clear understanding of the shortcomings of the company's resources and capabilities, the market opportunities facing the company, and the external threats to the company's future interests, which are important for the development of the company's strategy.

However, SWOT analysis is a partial analysis technique of strategic management method, and it cannot manage a company's strategy comprehensively and systematically.

(5) Value Chain Analysis Method

The Value Chain Analysis Method is to analyze the value chain of an enterprise, i.e. the design, production, marketing, delivery and support of products or services in each independent activity, function and business process, so as to reflect the business and internal operation of the enterprise, the corporate strategy, the way of strategy implementation and the evolution of the basic economic characteristics of each activity as well as the relative cost position of the enterprise compared with its competitors.

The Value Chain Analysis Method is the basic method of strategic cost analysis, which

is a source of analyzing whether the prices and costs of an enterprise are competitive and thus accurately determining the cost advantages or disadvantages, and is of great importance for the correct determination of an enterprise.

However, the Value Chain Analysis Method is necessary but not fully sufficient as a tool to determine the cost competitiveness of an enterprise. Moreover, the Value Chain Analysis Method is also a static analysis method, so that it is not possible to understand the changes of the competitive market position of the enterprise dynamically.

(6) Industry Attractiveness Matrix Evaluation Technique

Industry Attractiveness Matrix is a method that uses the industry attractiveness measure as the vertical axis and the competitive power of a company as the horizontal axis to represent the strategic position of various business operations.

The Industry Attractiveness Matrix helps to understand which businesses are the most powerful in their industries, which are small enough and powerless competitors and the reasons why they are strong or weak, etc. However, the Industry Attractiveness Matrix is mainly applicable to companies with diversified operations and has limitations in terms of who it can be used for.

2.3 Previous Research on Related Topics

Foreign research on strategic management is divided into three stages: the theory of strategic management of enterprises based on confrontational competition, the theory of strategic management of enterprises based on limited cooperation and the theory of strategic management of enterprises based on mutual coexistence. Ansoff (1976) pointed out that strategic management is the overall planning of enterprises for

long-term survival and continuous development in the face of fierce changes and severe challenges in the business environment, and it is the centralized expression of enterprise strategic thinking. It is the centralized embodiment of the enterprise's strategic thinking and the scientific regulation of the enterprise's business scope.

According to Prahalad (1983), strategic management is the solution to various strategic problems of enterprises, the formulation and implementation of enterprise development strategies, and has the following characteristics: firstly, it fully acquires and absorbs all kinds of information, and is able to identify and evaluate various strategic opportunities from the widely acquired information; secondly, it is flexible in decision making, and enterprises are able to respond to various changes with ease, and flexibly develop strategies corresponding to the environment in different business environments. Mahoney (1989) argues that strategic capabilities are valuable, superior, and difficult to imitate. This phase of the theory focuses on the competition among firms, and has the advantage of recognizing the use of strategy to compete as a powerful weapon to gain advantage, but the disadvantage of not recognizing the importance of win-win cooperation.

The second phase of theory, which mainly prevailed after the 1990s, focused on the study of strategic alliances and was proposed by Jane Hopland, president of DEC, and Roger Naegele, a management scientist, and was a great improvement over the previous ones. Harrison (1997) considers the relationship between the environment and the organization, and believes that strategic management is a systematic concept based on the understanding of the competitive environment, organizational resources and potential, and organizational goals, etc. He also believes that strategic management at

the operational level should include: proposing a vision and long-term goals: creating the appropriate strategic environment: optimizing the allocation of resources: developing strategic value and other fields. Oliver (1995) pointed out that only strategic management based on environmental analysis can outperform competitors and at the same time can maintain a sustainable competitive advantage. However, the instability of strategic alliances makes this theory still needs to be improved.

The third stage of theoretical research began in 1996 with the publication of the book "The Decline of Competition" by American scholar Moore, in which he proposed the concept of "business ecosystem", breaking the limitations of the traditional strategic management theory based on the premise of industry division and striving for "co-evolution". Leraer (2002) argues that strategic planning is the only way to integrate into the business ecosystem, and Beriain argues that strategic management is an intangible asset in the business ecosystem formed by the business and the business, as well as the business and the environment. Park and Mezias (2008) and other scholars study from the perspective of business ecosystem, pointing out that the essence of strategic management is to create a network effect by designing a good business model or product portfolio, which enables the company to gain a competitive advantage. Sabrina et al. (2015) made an understanding of "business ecosystem" from the vertical, incorporating the sustainable development of enterprises, and argued that the purpose of strategic management of enterprises should be to promote their sustainable development, thus building a business ecosystem and creating a good general environment.

Compared with foreign countries, domestic research on strategic management theory is relatively late, and there is a lack of strategic practice suitable for China's national

conditions. For example, in his book "Strategic Management of Enterprises", Yang Xihuai introduced in detail the common types of strategies such as corporate strategy, business unit strategy and internationalization strategy, and analyzed the process of strategic management from four aspects: strategy analysis, strategy formulation, strategy implementation and strategy control. Secondly, they put forward some of their own understanding of the specific aspects of strategy formulation, implementation and control, such as Jin Zhanming (2013) from the perspective of the relationship between strategic management and economics, and his study concluded that corporate strategic management has a close relationship with economics, and the strategic management of a company should be combined with the knowledge of economics to ensure the efficiency of management. Li Jian (2014) incorporated risk management into strategic management and argued that the successful control of corporate risk is the focus of strategic management of enterprises. Ximin (2015) proposed the theory of harmonious strategic management from the perspective of the complex and changing environment in which enterprises are located, arguing that strategic management is essentially a combination of "stability (theme) and adaptability (harmonious mechanism)". Thirdly, we analyze the overall status of strategic management in Chinese enterprises through the cases of specific enterprises' strategic management. Huang Lixin (2012) analyzes the current situation of strategic management in Chinese petroleum and petrochemical enterprises and proposes corresponding countermeasures. Ma Xinzhi (2014) empirically analyzes the current situation of strategic management in Chinese private enterprises and puts forward corresponding suggestions. However, not much research has been done on strategic management theory itself: even less on the practice of strategic

management in SMEs.

2.4 Research on Strategic Management Tools

The balanced scorecard, as one of the most widely applied, accepted and easy to use strategic management tools, is widely favoured by academics and businesses alike, and is one of the main subjects of this thesis.

The Harvard Business Review has described the Balanced Scorecard as the most influential management concept of the past 75 years. Since the creation of the Balanced Scorecard, a number of world-renowned companies have successfully implemented it and achieved improved business performance, such as American Chemical Bank, Mobil Oil, Siemens ICM and United Parcel Express. The Balanced Scorecard is widely used mainly because it presents a new strategic management concept that introduces non-financial indicators to implement corporate strategy in four dimensions. This idea can help companies to implement corporate strategy by combining financial and non-financial indicators, which is conducive to the implementation of strategy and the comprehensive evaluation of the effectiveness of strategy implementation. Chinese companies have also started to apply the Balanced Scorecard since 2002, such as Guangdong Telecom Shenzhen, China Everbright Bank, Industrial Securities, Tsingtao Beer and Vanke, with a total of over 100 companies.

The Balanced Scorecard has gone through two stages in its development, from performance management to strategic management. The development of the Balanced Scorecard shows how the concept has developed into a methodology and management tool for strategic planning and implementation of companies.

Stage 1: Balanced Scorecard for performance appraisal

(1) 1990 - The initial research team

In 1990, the Nolan Norton Institute in the USA set up a year-long project dedicated to the development of a new performance measurement model. David Norton, the CEO of Nolan Norton, was the project team leader and Robert Kaplan, a professor at Harvard Business School, was the academic advisor. 12 companies were involved in the development project: Advanced Micro Device, American Standard, Apple Computer, CIGNA, Conner Peripherals, Cray Research, Southern Bell DuPont, Electronic Data Systems, General Electronics, Hewlett-Packard and Shell Canada.

The project team looked at innovative examples of new approaches to performance management, one of which was the system used by Analog Devices. The case illustrates how Analog uses a new "company scorecard" to assess the performance of the company in terms of continuous improvement, which includes financial indicators and process indicators such as customer lead times, quality, production cycles and new product development cycles. The project team thus extended this new approach to include a wider range of performance measures.

The project team named this new approach to performance measurement the 'Balanced Scorecard' and created the concept of four different roles: financial, customer, process and learning (growth). The first version of the scorecard was used by some of the participating companies and the results were reported to the project team, who presented a written summary report on the feasibility and potential benefits of this more balanced approach to performance measurement in December 1990.

(2) 1992 - Balanced Scorecard for performance appraisal

In 1992, Kaplan and Norton published their first paper on the Balanced Scorecard in the Harvard Business Review: The Balanced Scorecard a Performance-Driven Indicator. The article was based on empirical data from the use of this performance appraisal by 12 companies participating in the project team in 1990. The Balanced Scorecard then entered a new phase. Kaplan and Norton co-authored their first book on the Balanced Scorecard, based on this paper and several other articles.

Stage 2: The Balanced Scorecard for strategic assessment and management

(1) 1993 - Upgrading the Balanced Scorecard to the strategic level

Following the publication of their first paper in the Harvard Business Review, Kaplan and Norton were soon asked by several company executives to help them implement the Balanced Scorecard. In the foreword to their first book, Kaplan and Norton also mention how the senior leaders of two companies successfully extended the Balanced Scorecard concept to the strategic area of their organisations.

The top management of these companies wanted to use the balanced scorecard to communicate their strategy and to create an internal organisational structure that was aligned with the company's strategy. They wanted to shift the focus from cost-cutting price wars to providing value-added, customised products and services as a means of growing the company's revenues.

The Balanced Scorecard approach was thus taken a step further, focusing not only on performance improvement of existing processes, but also beginning to include process improvement and the setting up of new processes that were so important to the company's strategy that they had to be implemented very well in order for the company to win the competition. Kaplan and Norton then elaborated on this new focus: selecting

performance appraisal indicators based on their importance to the successful implementation of a company's strategy. This led to the publication in 1993 of their second paper in the Harvard Business Review: Using the Balanced Scorecard in practice.

(2) 1996 - The extension of the Balanced Scorecard at the management level in the USA

In 1996, Kaplan and Norton published their third paper in the Harvard Business Review: Using the Balanced Scorecard as a Strategic Management System. The paper summarised the latest developments in the Balanced Scorecard and explained how top management were using the Balanced Scorecard as a framework for important management processes. These processes include goal setting, resource allocation, budgeting, planning, compensation, and feedback and learning.

Their first book, The Balanced Scorecard - Turning Strategy into Action, also published in 1996, covers the principles of establishing and implementing a balanced scorecard in more detail. It covers two main areas: firstly, the analysis of corporate strategy through four perspectives (including linking balanced scorecard assessment indicators to corporate strategy); and secondly, the implementation of corporate strategy through objectives, action plans, budgets, feedback, learning and implementation.

(3) 2001 - Using the Balanced Scorecard to focus on strategy

In 2001, Kaplan and Norton published their second book, The Strategy-Centred Organisation. The book addresses many of the issues that arise in designing a balanced scorecard that is aligned with corporate strategy and how it can be used to implement strategy. In their foreword, Kaplan and Norton explain that they have discovered this new form of strategic organisation in companies that have successfully implemented the

Balanced Scorecard. These companies used the Balanced Scorecard to build internal organisations based on corporate strategy. They focused their core management processes on strategy implementation and the flow of information helped them learn how to better implement their strategies and adapt them as needed.

(4) 2004 - Using strategy maps to describe strategy

In 2004 the two founders published Strategy Maps - Turning Intangibles into Tangible Results, which is a development and refinement of the Balanced Scorecard. The Strategy Map is a new strategic management tool created by the two masters on the basis of their work with more than 300 organisations over the last twelve years, an innovation no less important than the Balanced Scorecard. The Strategy Map manifests itself firstly as a dynamic visualisation tool for describing strategy, providing a unified approach to describing strategy so that strategic objectives and metrics can be formulated and managed, and secondly as a measure of strategic readiness for intangible assets, which cannot directly create tangible results and must be aligned with corporate strategy in order to be useful. The level of alignment is the level of strategic readiness. The higher the strategic readiness, the faster the results will be transformed and the higher the benefits will be: finally, the company can be taught to draw up a strategy map from a dynamic perspective and given specific steps to draw up a strategy map. The balanced scorecard thus forms a logical and rigorous theoretical system for describing strategy, measuring it and managing it.

2.5 Research on the Balanced Scorecard

There is a wealth of research on the Balanced Scorecard and in order to gain a clearer

understanding of its results so that they can be applied, this thesis has categorized them in the following ways.

(1) General understanding of the balanced scorecard

Robert S. Kaplan and David P. Norton (1992) jointly published an article entitled "The Balanced Scorecard: An Evaluation System to Drive Performance" in the Harvard Business Review, arguing that: the basic structure of the Balanced Scorecard consists of four areas together: finance, customers, internal business processes, and learning and growth. The core of the Balanced Scorecard is the breakdown of strategy into four levels of measurement: financial customers, internal processes, and learning and growth, resulting in a comprehensive performance measurement system that combines financial and non-financial indicators. Robert S. Kaplan and David P. Norton (1993) published an article entitled "Putting the Balanced Scorecard into Practice", which suggested the close relationship between evaluation indicators and vision and strategy. Robert S. Kaplan and David P. Norton (1996) published the first monograph on the balanced scorecard, *The Balanced Scorecard: Turning Strategy into Action*, building on previous research findings and arguing that: far from being just a better performance measurement system, the balanced scorecard should become the basis for a new strategic management system. Kaplan and Norton (2001) published their second book, *The Strategy-Centred Organisation*, arguing that there are five principles that companies need to meet in order to successfully use the Balanced Scorecard for strategic management: mobilisation, transformation (strategy into action), synergy, motivation and governance. Kaplan and Norton (2004) published *Strategy Maps*, arguing that: to focus on the second principle, transformation, it is important to develop targeted

strategy maps and scorecards based on many different strategies. Today, the principles of the balanced scorecard are used to varying degrees in a large number of organisations, exhibiting two different types of role as performance evaluation tools and strategic management tools, and there are also differences in the degree of use of each. However, the future trend should be towards a predominantly strategic tool role. According to Kaplan (2003), if it were not for the fact that the name 'balanced scorecard' has become so widely accepted, I would choose a name like 'strategic scorecard'. Some companies list their key operational performance indicators along the four dimensions of the Balanced Scorecard and mistakenly believe they have created a Balanced Scorecard. However, because these operational indicators are not defined in terms of a holistic strategy, they cannot be applied to communicate and implement the company's strategy. Sheng Chunyan (2008) argues that the use of a more complete type of scorecard and its use as a strategic management tool is linked to a higher evaluation of its effectiveness in practice. As the practice of the balanced scorecard continues, when it evolves from a mere performance evaluation tool to a strategic management tool and is combined with other management tools, the performance evaluation of the enterprise will probably perform more effectively and thus make a greater contribution to the achievement of the organisation's strategic objectives.

(2) On the performance evaluation function of the Balanced Scorecard

In 1992, Kaplan and Norton published "The Balanced Scorecard: A Measure of Driving Performance", which called for management to focus on the drivers of future performance, not just historical performance. In 1993, they highlighted that "the scorecard helps managers focus on a strategic vision by requiring them to select a

limited number of key indicators for each of the four perspectives", highlighting the fact that the balanced scorecard meets the needs of each organisation. The importance of the balanced scorecard in meeting the different market, strategic and environmental requirements of each organisation was highlighted. The linkage between the balanced scorecard and performance management systems is introduced in Sun, Y. L. and Bi, Y. W. (2003), *The Balanced Scorecard in Strategic Practice in China*. In their book *Performance Management*, Fu Yahe and Xu Yulin (2003) provide a theoretical discussion of performance appraisal techniques based on the balanced scorecard. Professor Peng Jianfeng put forward a five-part theory of a strategy-oriented performance appraisal system. Even now, academics generally agree that a 'comprehensive' performance appraisal system is extremely important for a company as it provides stakeholders with criteria and methods to assess the company's performance measures. Zhao Min and Wu Zhongping (2008) argue that companies need a comprehensive evaluation of performance. From a strategic perspective, a firm's ability to compete is strongly influenced by the external environment, internal conditions and competitive dynamics. How to meet customer needs in the most direct and easiest way, how to structure the organisational system so that it can respond to changes in the environment and how to gain an advantage in the face of fierce competition are issues that management must seriously consider. In the face of these issues, the traditional financial measurement of performance is challenged by the need for a comprehensive evaluation of performance based on the financial measurement of performance in order to provide a more comprehensive assessment of an enterprise's performance at a higher level. The integrated evaluation of performance includes both financial and

non-financial measures of performance. However, from some recent studies on the Balanced Scorecard, there are also many companies that simply use the Balanced Scorecard as a performance evaluation tool that combines financial and non-financial indicators, and it is actually natural to think so, as the Balanced Scorecard was created based on improving the shortcomings of traditional performance systems. As mentioned in Zhang Shengli's (2007) thesis, the main purpose of the thesis is to try to apply the balanced scorecard to life insurance companies in China, to explore the construction of a performance evaluation system that is indeed feasible and suitable for the business management practices of life insurance companies in China, and to introduce new ideas for the performance evaluation of life insurance companies in China. In his paper, Wang Jingbo (2007) argues that the balanced scorecard theory proposed by Professor Kaplan is applied to evaluate corporate performance. It contains both financial indicators and non-financial indicators such as customers, internal business processes and organisational learning and growth to complement the single financial indicators, and these non-financial indicators in the chain of cause and effect are used together as the "drivers of future financial performance". Through the analysis of the connotation of corporate performance, a corporate performance evaluation index system is constructed from four dimensions: finance, customers, internal business processes and learning and growth, and a quantitative and comprehensive evaluation model of corporate performance is established and validated through examples.

(3) About the Balanced Scorecard strategy implementation function

Kaplan (2003) argues that: the core of the 1992 article and the 1993 book is performance measurement, but far from being just a better performance measurement

system, the Balanced Scorecard should become the basis for a new strategic management system.

In terms of strategic management alone, it was first proposed by the American academic Ansoff in his 1976 book *From Strategic Planning to Strategic Management* and eventually led to the so-called Anthony Ansoff-Andrews paradigm. According to this paradigm, strategic management is the process by which top management studies, develops, implements and controls the organisation's long-term goals, the way it grows and the structure of the organisation. Top management can make reliable predictions about the future and develop sound strategies. To this day, this paradigm is still the most widely accepted. The scope of strategy research includes two main processes: firstly, the mission or vision formation process, which includes strategic analysis and strategic choice. The second is the strategy selection coupled with strategy execution, which includes corporate structure, culture, system processes, corporate design processes and strategic control mechanisms, which include feedback. Zhang Hong-sheng (2008) argues that: from the development of early strategic thinking to today's corporate ecosystem theory, there is an implicit development trajectory behind the evolution of corporate strategy theory that focuses on internal (emphasising strategy as a planning, analytical process) - on external (emphasising analysis of industrial structure) --focus on internal (emphasising the construction and maintenance of core competencies combined with industrial analysis) --focus on external (emphasising inter-firm cooperation and the creation of organic groups of firms with complementary strengths, i.e. strategic alliances). According to Robert Simmons: a sound strategic management control system should include four levers: belief system, boundary system, diagnostic control system

and interactive control system; these four levers can only work best if they are applied simultaneously and complement each other in the implementation of strategy. In fact, it is easy to see that strategic management includes strategy formulation and strategy implementation. Strategy describes the development prospects of a company and points to the direction of future development. However, the development of a well-designed and effective corporate strategy does not mean that it will necessarily be realised; it must be implemented with the help of a proven strategic tool. The Balanced Scorecard is one such strategic management tool.

In terms of the integration of the balanced scorecard with strategic management, further research has been conducted on the balanced scorecard as a strategic management tool after Kaplan proposed that the balanced scorecard has a strategic implementation function. For example, the strategy map was proposed and to establish a strategy-centred organisation, the use of the balanced scorecard for strategic management should simultaneously follow five principles: mobilisation, transformation, synergy, motivation and governance, making the balanced scorecard a closed-loop management system linking strategy and operations. After that, different scholars have conducted studies on the strategy implementation function of the balanced scorecard. According to Yin Meng and Li Yanping (2006), strategic management is the key to corporate success. One of the biggest problems facing corporate strategic management at present is that the carefully formulated strategies cannot be effectively implemented. Two complementary management tools, the balanced scorecard and economic value added, were introduced and integrated into a comprehensive strategic management framework and evaluation system using hierarchical analysis to promote the successful

implementation of corporate strategies. According to Tang Jing Ying (2006), the balanced scorecard is a strategic management tool, the core of which is the organisation's strategy, which can guide all the actions of the organisation, ensuring that the activities of every department and every employee are focused on the strategy and that every resource of the company fully serves the corporate strategy. "Balanced Scorecard-Oriented Strategic Management" is a complete process of strategic management. It consists of five parts: strategic meaning, strategic analysis, strategic choice, strategic implementation and strategic control evaluation and feedback. In this management process, the balanced scorecard is used as a strategic tool, from strategic meaning to strategic feedback, and the concept of the balanced scorecard is always present in the process. Chen (2006) argues that the implementation of the Balanced Scorecard will facilitate Chinese enterprises to formulate strategies scientifically, implement them effectively and adjust them in a timely manner, so as to achieve the improvement of the international competitiveness of Chinese enterprises. According to Ma Na (2007), the implementation of strategy involves a series of complex value-creating activities, which not only span different departments within the enterprise, but also have causal links and time lags between each other. Strategy maps and balanced scorecards provide a complete and effective management structure to facilitate the implementation of corporate strategies. According to Ma (2008), the establishment of a balanced scorecard for a business unit alone does not guarantee the effective operation of the system. To this end, a group and head office scorecard and strategy map were developed, the vision and strategy were communicated from top to bottom within the company, information collection methods, indicator assessment

methods and a variable pay system linked to the assessment were clarified, the budget process and strategic performance management process combined with the strategy map were developed in detail, and monthly performance reviews and quarterly strategy review guidelines were established. This has led to the development of the company on a sound development track.

From some foreign literature, recent research on the Balanced Scorecard has also focused on it as a performance evaluation tool and a strategic evaluation tool. Wayne G. Bremser (2000) argues that the BSC is a strategic performance evaluation tool that helps companies to interpret strategic objectives into specific performance indicators. Stan Davis (2003) argues that to use the Balanced Scorecard. The paper by Fong-Ching Yuan (2007) uses a case study to illustrate the Balanced Scorecard as a performance management evaluation tool for companies, incorporating the company's strategic management philosophy into the performance evaluation system. Heather Smith and II- Justin Craig and Ken Moores (2005) use case studies to illustrate the use of the BSC in a family business, including how the four dimensions of indicators can be used to analyse and then Jui-Chi Wang and Hsing-Wu College (2006) argue that although the balanced scorecard can evaluate performance in four dimensions, it can be used as an effective strategic management tool after practice and development.

(4) Framework on the implementation of the Balanced Scorecard strategy

In the foreign literature, there are different views on the implementation of the Balanced Scorecard strategy. Lohman (2004) argues that the Balanced Scorecard is implemented in nine steps and Heinz Ahn (2001) argues that the Balanced Scorecard is applied in eight stages. Brewer (2002) argues that strategy can be turned into action in four steps.

Letza (1996) says that the Balanced Scorecard is applied in six steps. In a paper by Alexandros Papalexandris, George Ioannou, Georgory Prastacos and Kcaseric Soderquist (2005) In this paper, Georgory Prastacos and Kcaseric Soderquist (2005) provide a comprehensive account of the practical aspects of applying the Balanced Scorecard to strategy implementation. They argue that the successful use of the Balanced Scorecard to turn strategy into action builds on Kaplan's work and pays more attention to the essential supporting roles of management change, goal management, project management, quality assurance and risk management in the implementation of the Balanced Scorecard. Then, on the basis of Kaplan's analysis of specific competitive environments and company-specific cases, the analysis continues to be generalised in an attempt to identify a general Balanced Scorecard application step that is universally applicable to all companies and all competitive markets. In their view, this can be summarised in six steps.

Step 1: the preparation of the balanced scorecard project. The main tasks in this section are: 1) planning and launching the balanced scorecard project. 2) obtaining senior approval. 3) assessing the feasibility of using the balanced scorecard. 4) establishing a quality management structure. 5) selecting the balanced scorecard project team. 6) establishing organisational coordination.

Step 2: analyse the internal and external environment and identify the strategic direction of the company. The main tasks in this section are: (1) to analyse the internal and external environment; (2) to establish a contingency plan for external situations; (3) to clarify the organisation's perspective and central tasks; (4) to identify the strategic direction of the company; and (5) to establish a plan to change the previous

management style.

Step 3: define the principles and objectives of strategy implementation. The main tasks in this section are: 1) establishing the strategic purpose, 2) creating a strategy map, and 3) explaining the strategic intent to shareholders.

Step 4: select measurement indicators. The main tasks in this section are 1) collecting, comparing and screening performance measures. 2) establishing measurement methods.

Step 5: Implement the Balanced Scorecard. 1) Establish modest target values for the indicators. 2) Determine the frequency of measurement. 3) Re-launch the strategy based on the measured data. 4) Create a budget. 5) Continuously cycle the performance management process.

Step 6: Maintain the Balanced Scorecard. 1) Create a system dedicated to the Balanced Scorecard. 2) Determine a feedback plan for cyclical evaluation.

Paul Niven's (2004) Balanced Scorecard study focuses on the practical aspects and his arguments for the Balanced Scorecard strategy implementation framework are broadly similar to those of Alexander Pepsantra above, divided into a preparation phase, an analysis to determine the strategy phase, a phase to determine performance evaluation objectives and targets, an evaluation of the targets, a cascading phase to implement the Balanced Scorecard and link it to incentives, and a maintenance phase. The implementation framework is also largely shared by domestic scholars.

Most domestic scholars also agree with this implementation framework. According to Dai Qiang (2005), a strategy implementation framework based on the balanced scorecard consists of five main steps: firstly, the BSC puts strategy at the centre; secondly, the BSC enables strategy to be communicated and learnt across the

organisation and linked to the goals of departments and individuals; thirdly, the BSC enables strategic operations to be agreed; fourthly, the BSC focuses organisational efforts on strategic goals; and fifthly, the BSC becomes the a bridge between short-term results and long-term development. The integration of the BSC into the management system transforms the company's abstract mission and strategy into clear objectives, which are measured by specific assessment tools and indicators; the strategic objectives and measurement methods are communicated, and the incentives are linked to performance assessment tools and indicators; plans are made to establish clear objectives; and strategic feedback and learning are reinforced. On the one hand, it solves the problem of aligning strategic planning and business planning, and on the other hand, it constitutes a systematic process to implement the company's strategy and to obtain feedback related to its implementation.

According to Qiu Yong and Bao Erxing (2004), strategic evaluation and feedback regarding the balanced scorecard is a circular process: there is a causal relationship between the indicators measured in the balanced scorecard. Therefore, when we find that an indicator does not meet the expected target, we can then cascade the cause-effect relationship to analyse whether the other indicators that caused the change in this indicator pass or fail. If they do not pass, then they are not performing well. If they all pass, then managers should re-analyse the internal and external environment of the business to check whether the environmental factors on which the strategy is based have changed and whether the strategy needs to be adjusted.

In summary, the theoretical research on the balanced scorecard is relatively comprehensive, both in terms of research on the development of the balanced scorecard;

research on the performance evaluation and strategic management functions of the balanced scorecard; and research on the implementation framework of the balanced scorecard war path. These studies provide the theoretical basis and research ideas for the study of this thesis. However, it can also be seen from the literature that there is more introductory literature and theoretical analysis on the Balanced Scorecard in China, while there are relatively few case studies on the application of the Balanced Scorecard to strategy implementation.

2.6 Research hypothesis

2.6.1 Prerequisite Knowledge

(1) The impact of corporate strategic management and structure on corporate impact.

Enterprise strategy formulation has a significant impact on enterprise development, and the impact of strategic management tools on enterprises is positively correlated. The more perfect the strategic management structure is, the more significant the positive impact will be. According to the existing survey data, there are obvious differences in the development of small and medium-sized enterprises, and the development of enterprises that use strategic management tools for comprehensive strategic management is relatively stable, and has more prospects for development, and the market feedback is more positive. The research literature shows that the impact of strategic management tools on enterprises is positively correlated, that is, a more complete strategic management method and more powerful strategic management tools will help enterprises to achieve the dual stability of the market and enterprise

management.

(2) The policy environment has a significant impact on the role of strategic management tools.

A more friendly financing environment can often help companies implement more efficient strategic management and win market competition. There are abundant studies on the impact of the policy environment on enterprises. The stability of the market environment will effectively increase investment confidence and potential. Especially for small and medium-sized enterprises, the smooth implementation and role of strategic management tools will depend to a certain extent on the market financing environment friendliness.

(3) The talent system has a direct impact on the implementation of strategic management of SMEs.

Talent is the primary productive force of an enterprise. To a certain extent, the development of small and medium-sized enterprises is in the hands of individual leading talents. Only when the enterprise's human resources are fully accumulated and the employees of the enterprise can exert their subjective initiative to solve work problems can the development of the enterprise be more directional and increase. Ability to deal with market risks. Literature research shows that employee cognition has a significant impact on enterprise development, and the level of employee technology and cognition is closely related to enterprise creativity. Such internal motivation will play an important role in the development of enterprises.

2.6.2 Proposing Research Hypotheses

In the initial stage of research design and the design stage of the survey questionnaire, through expert group discussions, three independent variable factors affecting the performance of small and medium-sized enterprises were proposed from three dimensions: internal environment, external environment, and social relations. Considering the position and characteristics of small and medium-sized enterprises in the industry, the revenue growth rate of the main business was used as an indicator to measure the performance of small and medium-sized enterprises in their development process, which was the independent variable of the research hypothesis. It can reflect the development situation. Because most of the SMEs are in the early stage of business development or business expansion, the accumulation of capital and market development are the main tasks during this period. Could refer to the following figure.

Independent Variables	Evaluation index (Dependent Variable)	Metrics
Influencing factors: 1.internal influence factor, 2.social relationship influence factor, 3.external environment influence factor	(Y) Main operating income growth rate	1.Very unimportant; 2.Less important; 3.Generally important; 4.More important; 5.Particularly important

Figure 3.4 Development Strategy Impact Factor Measures

In order to further clarify the specific aspects of the three dimensions, this study selected the method of expert group discussion to identify internal influencing factors, social relationship influencing factors, and external environmental influencing factors. At the same time, corresponding problems were designed for the influencing factors of the three dimensions.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This thesis conducts an in-depth study on the factors influencing in the implementation of strategic management in Chinese SMEs, using small and medium-sized enterprises in Guangdong Province as a sample. In this thesis, literature research method, questionnaire survey method, case study method and statistical analysis method are used respectively to carry out this thesis. The questionnaire survey method is mainly based on the targeted distribution of online and offline questionnaires to specific groups of people, which was distributed to SME stakeholders in Guangdong Province, so as to achieve accurate delivery and collect information and data. The literature survey method summarizes and summarizes the relevant research theories including enterprise strategic management in this thesis by consulting a large number of references and research materials related to the strategic management of SMEs in in Guangdong Province, which lays a good foundation for the writing of this thesis. The case analysis method is mainly based on taking M company as an example, and it is more instructive to apply the balanced scorecard strategic management tool to real life in real time.

3.2 Research Philosophy

Based on the hypothesis of the research question, this article uses empirical research methods and a structured questionnaire to collect real data from targeted interviewees. By analyzing the effectiveness and reliability of data through statistical analysis,

representative factors that affect the strategy of small and medium-sized enterprises are extracted from the sample data. The 'growth rate of main business' was selected as the dependent variable, and five influencing factors were identified among the three independent variables. Through statistical analysis, it was found that the influencing factors have a significant positive correlation with the dependent variable. Next, through case studies, we will demonstrate the value of the balanced scorecard strategic management tool in the development history of a real small and medium-sized enterprise. Thus, from analyzing strategic influencing factors to using strategic management tools, 16 specific suggestions were proposed from three dimensions, organically combining the strategic development issues faced by small and medium-sized enterprises.

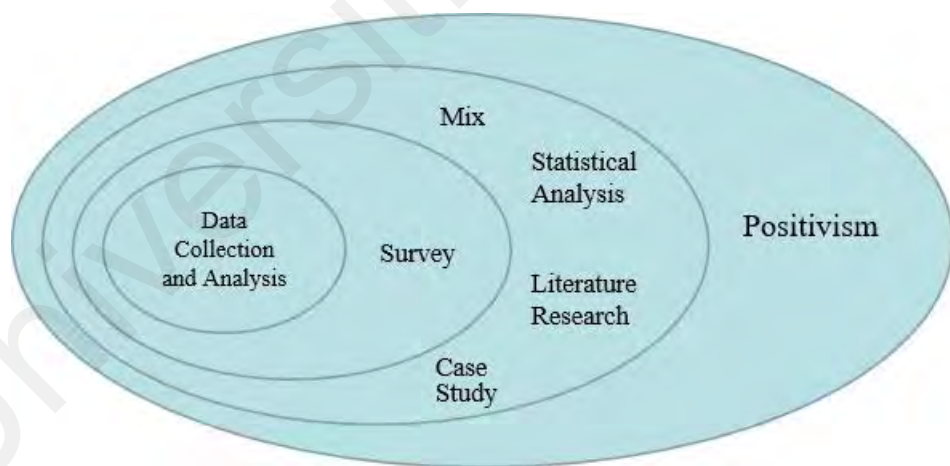


Figure 3.1 Research Philosophy

3.3 Research Design

At the beginning of the research, research designs were conducted from the perspectives

of data, research methods, and conceptual frameworks. 1) Because the research question is about the strategic management of small and medium-sized enterprises, according to the definition and formulation characteristics of strategy, business owners, shareholders, and managers are the main groups for the strategic formulation of small and medium-sized enterprises. Therefore, they are the objects of data collection during the research. And a detailed introduction was provided in three aspects: data definition, collection, and analysis. 2) For the application of research methods, this study combines qualitative and quantitative mixed research methods, and introduces four research methods below. 3) The establishment of the conceptual framework is based on research purpose oriented design. On the basis of relevant theories, the main content part is to adapt corresponding research methods to the research problem, in order to obtain research conclusions. The specific content is introduced below.

(1) Literature research method. This thesis has reviewed a large number of references and research materials related to strategic management of SMEs in Guangdong Province to summarize and conclude the relevant research theories, including strategic management of enterprises, to lay a good foundation for this thesis. By arranging and analyzing relevant literature, reports and data, and referring to existing research results, this thesis analyzes the development history, development status and management problems of SMEs in Shenzhen. Based on the research foundation, the impact of strategic management of SMEs is discussed in depth from the perspective of questionnaire survey analysis and case analysis, and the development of targeted countermeasures is proposed.

(2) Questionnaire survey method. This thesis takes Guangdong Province SMEs as the

sample, and collects information about the current situation of strategic management development of Guangdong Province SMEs by designing and distributing questionnaires, so as to analyze the problems in strategic management of SMEs in China. In order to make the research more realistic and targeted, this thesis determines the parameters of the final participation in the survey through small sample pre-survey group sampling analysis, and finally conducts large-scale survey feedback, collects data for processing and subsequent analysis, and conducts the questionnaire in the form of text, divided into lines for both online and offline survey methods, the sequence of questions and options are fixed, which makes it easier to quantify the questionnaire, and is also conducive to the subsequent use of software for data analysis to obtain more accurate results, which is more conducive to finding The results are consistent with the research direction of the text.

(3) Case study method. In order to further dig and analyze the strategic management of SMEs in Guangdong Province, on the basis of literature review and questionnaire survey, this thesis further adopts the case analysis method, and takes the specific example of M company as an example to analyze its strategy under the application of strategic management tools by investigating the strategic management situation within Company M. This thesis is used to confirm the influencing factors in the implementation of strategic management in Chinese SMEs. The management effect and existing problems are briefly analyzed, and the qualitative analysis method is used to complete the research based on the actual development of the enterprise and various related theories.

(4) Statistical analysis method. Using the empirical analysis method to analyze the

influencing factors of the development strategy of SMEs in Guangdong Province region, to derive the influencing factors that affect SMEs in Guangdong Province in the development strategy.

3.4 Research Framework

This thesis describes the concepts such as ‘SME’, ‘Strategy Management’ and ‘Balanced Scorecard’ have for a long time been part of the enterprise development. Furthermore, starting from the research problems, it is determined that the purpose of this thesis is to analyze the factors affecting small and medium-sized enterprises, then combined with the support of related theories, build the evaluation model of influencing factors of small and medium-sized enterprises through literature research method, questionnaire survey method, case study method, statistical analysis method, and finally get the suggestions and measures to improve the strategic management of small and medium-sized enterprises. The conceptual framework of this thesis is shown in the following figure.

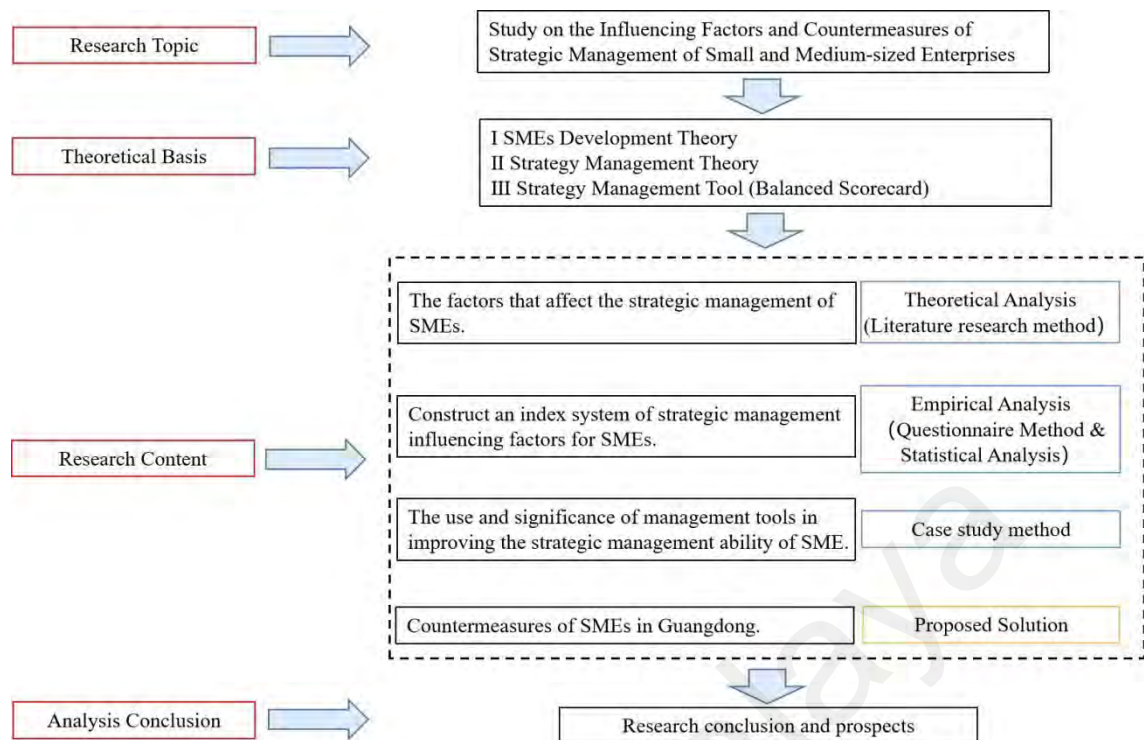


Figure 3.2 Conceptual Framework

The Conceptual Framework briefly introduces the basic ideas of this thesis. It is mainly divided into four parts. The first part is Research Topics, which is the main problem and content of this thesis. On this basis, this thesis mainly uses the balanced scorecard strategic management tool for the relevant research on the strategic management of small and medium-sized enterprises. This is a further extension of the first part. On this basis, the third part is the main content of the research. It is a detailed introduction to the content of the thesis. This part is mainly divided into the status quo analysis based on the questionnaire survey method, the influencing factor analysis based on data analysis and the case analysis based on theoretical analysis. This part is the core content of this thesis. Each module study is different but complementary. The last part is the conclusion of this thesis and puts forward the research outlook.

3.5 Theory and Empirical Study

(1) The relationship between SMEs development theory and empirical research

The main body of this thesis is the small and medium-sized enterprises in Guangdong Province, and the theoretical research on the influencing factors and management characteristics of small and medium-sized enterprises is the basis. This thesis pointed out that enterprise development is the result of internal and external comprehensive influence, which lays a foundation for the further exploration of the influencing factors of enterprise development. The empirical analysis is based on the SMEs Development Theory in this thesis.

(2) Relationship between strategy management theory and empirical research

The research topic of this thesis is the strategic management of small and medium-sized enterprises. Therefore, it is necessary to expound the relevant theories of strategic management. The theory exposition focuses on the concept, content and several popular strategic management viewpoints which play important role in development. In the empirical research, in the chapter of the analysis of the status quo of small and medium-sized enterprises in Shenzhen, this thesis makes a specific summary of the current situation of strategic management of small and medium-sized enterprises in Shenzhen, including the current situation of internal strategic management of enterprises and the research on social relations of enterprise development strategy management. It is based on the theory of strategic management.

(3) Relationship between strategy management tool (Balanced Scorecard) and empirical research

The Strategy Management Tool (Balanced Scorecard) is an important means of

enterprise strategic management. In the theoretical research part, the tool is basically introduced. In the case analysis chapter, this thesis builds a balanced score based on the Strategy Management Tool (Balanced Scorecard). Taking M company as an example, implementation system of Balanced Scorecard strategy demonstrate the background and function of the management tool, and combine the actual situation of M company and the relevant theory of strategic management tools, to put forward the existing problems and development countermeasures, and to achieve theoretical research and strategic management tools, and to achieve the unity of empirical analysis.

3.6 Research Data

The relevant research on the impact of the implementation of strategic management of small and medium-sized enterprises cannot be separated from the support of data. This thesis makes a comprehensive analysis of the implementation of strategic management tools for small and medium-sized enterprises in Guangdong province by making full use of research methods such as questionnaire survey, literature research, and case analysis and summary. The processing of the research data is divided into questionnaire design, sampling distribution, data collection, and data sorting and data analysis. The questionnaire design is aimed at SMEs, including the basic situation of the company, factors related to the development of SMEs in Guangdong province, corporate financial status, and market-related factors. In terms of sampling distribution, the questionnaire survey method is mainly based on the targeted distribution of online and offline questionnaires to specific groups of people, so as to achieve accurate distribution and collect information and data. In terms of data collection and organization, the online

questionnaire is used for overall recovery, and SPSS is used to export relevant tests (such as chi-square test, sample t test and variance analysis, etc.) to verify the validity.

In addition, it also involves the collation of pre-data and auxiliary data in chapter 4 and chapter 6. In terms of data and information, this thesis integrates them according to "Pre-data - Data Collection - Auxiliary Data" through literature review, questionnaires and cases methods. Such data arrangement can distinguish primary and secondary and be more reasonable in logical relationship. Detailed data interpretation can be seen in the figure 3.3.

Chapter Name		Arrangements		
Chapter 1		Introduction		
Chapter 2		Theory research & literature review		
Chapter 3		Methodology		
Interpretation of data		Character	Data/Info	Methods
	Chapter 4	Pre data	Secondary data	Literature research method
	Chapter 5	Collecting Data	Questionnaire	Questionnaire survey & Statistical analysis method
	Chapter 6	Auxiliary data	Case	Case study method
Chapter 7		Suggested Countermeasures		
Chapter 8		Conclusions and Outlook		

Figure 3.3 Interpretation of Data/Info

In chapter 4, Through the analysis of the current situation of small and medium-sized enterprises in Shenzhen and their strategic management, we can understand the performance of small and medium-sized enterprises in all aspects of the development process from the macro and industrial aspects. Through literature and public data, these data and information can have a full understanding of the research subject before the research on the influencing factors of the development of small and medium-sized enterprises.

In chapter 6, this thesis studied M company. The case enterprise in this thesis is M Sports Industry Co., Ltd., founded in 1994, with 100 employees. It is a small and medium-sized enterprise. The leading company is the first professional supplier engaged in the sports and leisure industry in China. Since its establishment in 1994, it has maintained a leading position in the field of sports venues and facilities, but the size and number of employees belong to SME when it was founded. In May 2022, M company was selected into the list of 2021 Guangdong sports industry demonstration lists (http://tyj.gd.gov.cn/zwwgk_jggk/content/post_3932758.html). Through the case study of the growth of this M company, we can further understand the practical application of balanced scorecard management tools in enterprises. Analyze the help of the balanced scorecard management tool to the growth and development process of small and medium-sized enterprises, and then use this tool to study other small and medium-sized enterprises in this thesis. In the case analysis of this thesis, M company is used as an example, and the balanced scorecard strategic management tool is applied to real life in real time. The relevant data of M company are basically divided into online sorting and offline visit and understanding. M company itself is a relatively mature company. Small and medium-sized enterprises have been operating in Guangdong province for a long time and have sufficient historical data, which is an important supplement to this study.

3.6.1 Data Collection

Before distributing the survey questionnaire for this study, invited five professionals who familiar with SME development strategies to conduct a small-scale discussion on

the questionnaire and provided corresponding suggestions. With the support of the Small and Medium Enterprise Association, the questionnaire was mainly targeted through an online survey, which was distributed to SME stakeholders and managers in Guangdong. Before conducting survey, it had been approved by IAS and UMREC. This time, through the online survey. This time, through a web-based questionnaire survey of SMEs in the Shenzhen area, a total of 150 web-based survey questions were received. The questionnaires received were checked accordingly and the unqualified ones were eliminated, finally 148 valid questionnaires were obtained, and the percentage of valid questionnaires collected reached 98.7%. The sample characteristics were statistically. Because the survey questionnaire targets small and medium-sized enterprise owners and managers who have formulated strategies, rather than ordinary employees, the number of questionnaires collected actually represents one small and medium-sized enterprise.

3.6.2 Data Analysis

After collecting the data, first analyze the representativeness of the data to confirm that it fits well with the characteristics of small and medium-sized enterprises. Next, the data collected from the survey on the factors influencing the development strategies of SMEs in Guangdong were first tested using the KMO and spherical Bartlett tests to analyse whether they met the requirements of factor analysis. The purpose of the analysis using factor analysis is to find common factors that are smaller in number than the number of variables and that better reflect the information of the vast majority of the variables in the total set of variables by means of dimensionality reduction. Based on the factor analysis, five public factors were derived: talent system, financing environment, supply

and marketing relationship, policy and legal environment, enterprise structure and strategy. The regression analysis of the influence factors of the development strategies of SMEs on the growth rate of main business income was carried out by extracting the internal influence factors (enterprise structure and strategic status, talent system), social relationship influence factors (supply and sales relationship) and external environment influence factors (financing environment, policy and legal environment) as independent variables and the growth rate of main business income as the dependent variable. In addition, this study was arranged in Chapter 5 of the paper to provide a detailed description of data analysis.

3.7 Research Content and Route

The thesis is divided into the following parts:

Chapter 1, introduction. This part mainly introduces the background of the research selection of the thesis, the significance of the research. It also briefly describes the content and research route of the thesis, the innovation points and shortcomings of the thesis.

Chapter 2, theory research & literature review. Firstly, the concept and characteristics of SMEs, the basic meaning of strategic management and strategic management tools are briefly explained; then the definition, characteristics, advantages and disadvantages and the status and role of SMEs are outlined.

Chapter 3 methodology. Introduce research methods of this thesis. This thesis conducts an in-depth study on the factors influencing the implementation of strategic management in Chinese SMEs, using SMEs in Guangdong Province as a sample. In this

thesis, literature research method, questionnaire survey method, case study method and statistical analysis method are used to carry out the research.

Chapter 4, analysis of current situation. Firstly, a statistical analysis is made on the current situation of the number and scale, structure and quality of SMEs in Guangdong Province and the current business model of SMEs. Secondly, on the basis of the analysis of the current situation of enterprises, an analysis is made on the current situation of strategic management of SMEs in Guangdong Province from three aspects: internal, social relations and external environment.

Chapter 5, the analysis of influencing factors. Using the empirical analysis method to analyze the influencing factors of the development strategy of SMEs in Guangdong Province region, the influencing factors affecting the development strategy of SMEs in Guangdong Province region are derived.

Chapter 6, example study of strategic management tools application. Taking Company M as an example, we analyze the application and problems of the Balanced Scorecard, a commonly used strategic management tool, and propose corresponding strategies to optimize its application and improve the strategic management level of the enterprise.

Chapter 7, development countermeasures. It mainly focuses on the statistical analysis of the current situation and problem analysis of SMEs in Guangdong Province region in

Chapter 3, the empirical analysis of the factors affecting the development strategies of SMEs in Guangdong Province in Chapter 4, and the application of strategic management tools and problems in Chapter 5. The development strategies of SMEs in Guangdong Province are proposed from the internal dimension, social relationship dimension and social environment dimension of SMEs in Guangdong Province.

Chapter 8, conclusion and outlook.

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CHAPTER 4

THE CURRENT SITUATION OF SMES IN THE SHENZHEN

4.1 Development Status of SMEs in Shenzhen

Shenzhen is the most economically powerful city in Guangdong Province. In recent years, SMEs have become the driving force and an important force in the construction and development of Shenzhen. As of 2019, the city has a total of about 425,000 SMEs in the open state, accounting for 94.9% of the total number of enterprises in the open state in the city (448,100). According to preliminary estimates, SMEs achieved a cumulative added value of RMB 603.6 billion in 2019, accounting for approximately 65% of the city's GDP (excluding the banking, insurance and securities sectors as well as the real estate industry). Total exports of SMEs (including private enterprises) amounted to US\$65.6 billion, up 41.7% year-on-year, 21.5 percentage points higher than the city's average. In terms of tax contribution, SMEs in Shenzhen paid a combined tax revenue of RMB134.5 billion in 2019, an increase of 12.8% compared to 2010. SMEs have become a stable force for economic growth and local fiscal revenue, and have strongly contributed to the coordinated economic and social development of Shenzhen.

4.1.1 Fast Growth of SMEs in Shenzhen

Over the past 40 years of reform and development in Shenzhen, the number of SMEs has grown from nothing to something, and the scale of enterprises has grown from small to large, with extremely rapid development. On the one hand, the number of SMEs has

grown rapidly. During the "Eleventh Five-Year Plan" period, the number of SMEs in the city grew at an average annual rate of 15%. As of 2019, the city has a total of about 425,000 SMEs in business status. On the other hand, the quality of SME operations has been significantly improved. A large number of SMEs have achieved transformation and leapfrog development by relying on their own continuous progress in technology and management. For example, Shenzhen Huashi Media Company Limited has been successfully listed in less than four years after its establishment and has become a national leader in the field of public transport media as well as TV mobile.

4.1.2 Contribution to Economic Growth

According to preliminary estimates, SMEs achieved a cumulative added value of RMB 603.6 billion in 2019, accounting for approximately 65% of the city's GDP (excluding the financial and real estate sectors). Total exports of SMEs (including private enterprises) amounted to US\$65.6 billion, up 41.7% year-on-year, 21.5 percentage points higher than the city's average. In terms of tax contribution, SMEs in Shenzhen paid a combined tax revenue of RMB134.5 billion in 2019, up 12.8% year-on-year. The rapid development of SMEs in Shenzhen has not only injected vigorous vitality into the advanced local manufacturing and high-end service industries, but also complemented a large number of pillar enterprises such as China Merchants Bank, Ping An Group, Huawei and ZTE. The city's SMEs have effectively expanded into both domestic and foreign markets, and through service outsourcing they have undertaken the subcontracting business of large leading enterprises, realising the cultivation and aggregation of Shenzhen's advantageous industries and effectively pulling the economy

to steady growth.

4.1.3 Broadening Investment Fields

SMEs have the distinctive features of flexible production and operation methods and diverse production methods. In all major industries in the city, SMEs play an active role. According to the statistics of the SME Service Centre, in the wholesale and retail industry, the number of SME households accounts for more than 80% of the whole industry, and the city has gathered a number of small commodity and electronic market gatherings such as the Dongmen Commercial District, Huaqiang North Commercial District, Saige Electronic Market, Yuanwang Digital Plaza and Wanxiang City, in which many SMEs are active. In the food service industry, the number of SME households accounts for over 90% of the total number of households. In all major urban areas of Shenzhen, a number of famous restaurants have been formed and gathered, with the XiangMi Lake Resort, Jingtian Food Street, Meilin Food Street, Yantian Food Street, Luohu Paradise Road Food Street, Shekou Seafood Market, etc. fostering a number of concentrations of strong catering enterprises. In the industrial sector, the gross industrial product of SMEs has accounted for about 30% of Shenzhen's total industrial output in recent years. 2019 saw SMEs achieve a cumulative added value of 603.6 billion yuan, accounting for about 65% of the city's GDP. 1 November 2012 saw the launch of the pilot conversion of business tax to VAT in Shenzhen. Since the pilot, as a structural tax reduction policy, the pilot taxpayers have reduced their overall tax burden by 32.8%. Non-pilot taxpayers have also benefited from the camp conversion policy due to the expansion of the scope of deductions. Driven by the pilot camp conversion policy,

Shenzhen's service industry enterprises have been strongly promoted, with nearly 31,600 new enterprises in R&D technology services, forensic consulting services and cultural and creative services since the pilot. Against the backdrop of the transformation and upgrading of Shenzhen's industrial structure and the continuous promotion of the pilot camp conversion policy, Shenzhen's SMEs have developed rapidly, and their investment areas have gradually expanded from the traditional commercial and catering services as the mainstay to manufacturing, transportation, logistics support, R&D services, cultural and creative, Internet technology and other high-end modern services, with their business scope expanding and their investment areas broadening.

4.1.4 Strong Innovation Capability of SMEs

Through continuous development, Shenzhen's SMEs are far ahead of the rest of the country in terms of innovation capability. Their innovation capacity is not only reflected in their technological innovation capability, but also includes innovation in their business system. In terms of technological innovation, by the end of 2019, the city had a total of 1,295 national high-tech enterprises, of which over 90% were SMEs. The share of SMEs in Shenzhen's domestic patent applications and invention patent applications has been increasing year by year, with the two indicators increasing from 52.7% and 21.2% in 2008 to 62.1% and 32.8% in 2010 respectively. In terms of innovation in the business system, a large number of SMEs in Shenzhen have achieved leapfrog development by reforming their sales models and operation methods, allocating resources rationally, and rapidly capturing the market. In particular, a large number of new growth SMEs have emerged in the fields of computer, Internet, electronic

communication, new materials and other industries.

4.1.5 The Number of Leading Enterprises in the Industry Has Increased

Many SMEs in Shenzhen aim at specialized markets, draw on the world's advanced technologies, and become leaders in various industries through continuous innovation and reform. In 2012, among the strategic emerging industries in Shenzhen, the added value of the biological industry was 2,050.3 billion yuan, an increase of 17.2% over the previous year; the added value of the Internet industry was 35.691 billion yuan, an increase of 22.6%; the added value of the new energy industry was 32.526 billion yuan, an increase of 19.8%. The value added of the new energy industry was RMB 32.526 billion, an increase of 19.8%. The growth rate of the three major new industries was higher than the 10% growth rate of the city's GDP. Among them, small and medium-sized enterprises have become the leaders and front-runners of the strategic emerging industries, accounting for 75% and 60% of the enterprises certified as "Chinese famous brand products" and "Chinese well-known trademarks" respectively. SMEs have become an important force in Shenzhen's strategic emerging industries.

4.1.6 High Social Contribution of SMEs

In 2019, SMEs in Shenzhen paid approximately RMB 134.5 billion in taxes, accounting for 57% of the taxes paid by the city's enterprises. Secondly, SMEs in Shenzhen have become an important channel for resolving labour force employment. Around 80% of the city's jobs are provided by SMEs. From the data of listed companies, the role of

SMEs in absorbing employment is even more obvious. By the end of 2010, Shenzhen's 100 listed SMEs provided a total of 398,000 jobs, accounting for 5.7% of the city's total employed population, with each listed company absorbing an average of about 4,000 people in employment. Thirdly, SMEs have actively participated in international competition and promoted resilient growth in international trade. Shenzhen's SMEs have given full play to the advantages of the geographical environment adjacent to Hong Kong and the preferential policies of the Special Administrative Region, relying on the advantages of developed finance, logistics and processing of incoming materials, and have actively participated in international trade cooperation and market competition, becoming an important force in Shenzhen's export-oriented economy. In 2012, the total value of Shenzhen's foreign trade imports and exports reached US\$466.79 billion, up 12.7% year-on-year. The total value of Shenzhen's foreign trade exports was US\$271.37 billion, an increase of 10.5%, maintaining the "twenty consecutive championship" in foreign trade exports in the ranking of large and medium-sized cities in China. Among them, the total import and export value of private enterprises, mainly small and medium-sized enterprises, reached US\$189.72 billion, accounting for 40.6% of the total value of the city's foreign trade imports and exports, an increase of 43.2% year-on-year, with a growth rate 30.5 percentage points higher than the overall growth rate of the city's foreign trade imports and exports.

4.2 Status of Strategic Management of SMEs in the Shenzhen

4.2.1 Status of Strategic Management Within Enterprises

4.2.1.1 Enterprise strategy situation

The process of formulating enterprise strategy is the process of determining the development goal and direction of the enterprise in a period of time based on the in-depth analysis of resources, industry and market. The current increase in operating costs faced by SMEs is mainly reflected in the significant increase in the price of raw materials, the substantial increase in labour costs and the increase in production and operating costs. Rising raw material prices are recognised as the primary challenge facing SMEs at present. The prices of various raw materials such as oil, cotton and iron ore have been at a high level for years. In the case of computer production, for example, the price of plastic, packaging materials and metal materials such as copper, nickel and lithium are constantly rising. Secondly, rising energy prices such as water, electricity and gas, as well as rent and transportation costs are also a major headache for SMEs. As a result of the soaring real estate prices in China in recent years, for example, the cost of renting housing for SMEs has increased significantly. Finally, some tax policy adjustments have led to increased operating costs for enterprises. In recent years, the State and Shenzhen have introduced a series of tax incentives to reduce the tax burden of enterprises, but sometimes the adjustment of tax policies may also increase the business burden of enterprises. For example, the adjustment of Shenzhen's urban construction and education surcharge policies has resulted in a significant increase in corporate taxes and fees; prior to 1 December 2010, the education surcharge for non-foreign enterprises in Shenzhen was 3% and foreign enterprises were not required to pay the education surcharge; all enterprises were required to pay urban construction tax at a rate of 1%. After the policy adjustment, since 1 December 2010, domestic and

foreign enterprises are uniformly subject to a city construction tax at 7%, a 3% education surcharge and a 2% local education surcharge. This tax adjustment has resulted in an increase of eight percentage points in the tax burden for domestic enterprises and eleven percentage points in the tax burden for foreign enterprises. It is estimated that the adjustment of the urban construction tax and education surcharge will increase the tax burden of Shenzhen enterprises by at least RMB 10 billion in 2019. In addition, the adjustment of the corporate income tax rate has also increased the tax burden of enterprises. Since 2008, the corporate income tax rate has been gradually increased from 15% to 25% over five years due to the end of the SAR's preferential corporate income tax policy. This tax rate adjustment has further increased the corporate tax burden. For the city as a whole, the income tax rate adjustment may result in an increase of RMB 5.2 billion in corporate tax burden. Although some small and micro-profit enterprises may apply for the 20% tax rate, the percentage of enterprises that may benefit from this policy is relatively small.

In this context, a good strategy is fundamental to the survival of an enterprise and needs to be effectively managed and implemented. The Shenzhen Statistical Yearbook shows that the majority of SMEs in Shenzhen are private enterprises, i.e. mostly family-owned. These enterprises are mostly market-oriented, influenced by the market environment, and lack a clear strategic positioning for the development of the enterprise. The practical significance of the development strategies formulated by enterprises is reduced.

4.2.1.2 Organizational structure

The organizational structure is the governing body of the enterprise's operation. According to its structure, an enterprise divides its functions, sets up departments and

operates in a mode, which is essentially a system of division of labour and collaboration. The structure of an enterprise determines how its resources are allocated, and only if the structure matches the margin of control and the corresponding tasks can the enterprise achieve full development. Due to the small scale of most enterprises in Shenzhen, their organizational structure is not perfect, resulting in poor communication between functional departments within the organization, lack of integrity in the implementation process of the enterprise strategy, resulting in unreasonable allocation of resources and waste of enterprise resources, which finally leads to the enterprise strategy in the implementation process of the enterprise organizational structure cannot meet the implementation requirements of the enterprise development strategy, and the enterprise strategy cannot effectively guide the development tasks of the enterprise. The enterprise strategy cannot effectively guide the implementation of the enterprise development tasks, which limits the effective implementation of the enterprise development strategy.

4.2.1.3 Financial status

Strong finances are an important factor in the production and operation of an enterprise, and a strong financial position is an important foundation for the development of an enterprise and a key to obtaining other related resources. Most of the SMEs in Shenzhen are family-owned private enterprises, and their sources of funding in the process of establishment and development are mostly dependent on family financing and the original capital accumulation of the enterprises. And the relatively high cost of financing, causing private enterprises in the process of financing a series of problems such as the difficulty of financing, so most of the enterprises in the Shenzhen region in the process of its development of capital problems is an important issue in its

development. The lack of development funds for enterprises will seriously affect the effective implementation of their development strategies and will become an important influencing factor limiting the development of their strategies.

In recent years, under the impact of the COVID-19 epidemic, the development of SMEs has been seriously affected, and difficulties in financing, loans and shortage of funds have become huge obstacles to the development of SMEs. According to statistics, the balance of loans from financial institutions in Shenzhen was RMB1.57 trillion in 2019, an increase of 15.4% over the beginning of the year, while new SME loans among them increased by only 14% year-on-year. As a city with a more developed financial services function, Shenzhen currently meets less than 30% of the financing for SMEs. The difficulty of financing for SMEs is very prominent, mainly manifested in:

(1) SMEs have narrow financing channels. Their current financing mainly relies on their own strength such as shareholders' investment, i.e. the proportion of internal financing for SMEs is too high and the proportion of external financing is too low.

(2) The lack of role of the bank lending function. Bank loans are the most important external financing channel for SMEs. In addition to paying interest, SMEs generally have to pay relevant fees to varying degrees for loans from banks, such as banks charging line of credit occupancy fees and line of credit management fees. The charging of such fees has undoubtedly increased the cost of financing for SMEs to a certain extent.

(3) Inadequate credit guarantee system. Informal financing channels such as loans from friends and relatives, internal fund-raising by employees and private loans play an important role in the financing process of SMEs. The lack of government supervision

and high interest rates of informal financing channels have greatly increased the economic pressure on SMEs and also lurked the risk of huge debt disputes.

(4) Unstable sources of finance. SMEs generally lack long-term and stable sources of funding - not only are sources of equity funding extremely limited, but it is also difficult to obtain long-term debt support.

(5) Other high-risk and high-cost financing factors. For example, the size of assets and the availability of collateral are important factors in the ability of SMEs to access bank lending and long-term debt funding.

4.2.1.4 Human resources status

Labour costs are rising too fast and the problem of labour difficulties and shortage of labour is exceptionally prominent. Since 2010, the wages of workers in the country, especially in coastal areas such as the Yangtze River Delta and the ZhuJiang River Delta, have generally increased, and the labour costs of SMEs in 2019 have all risen by more than 20%. At the same time, most of the SMEs in China are labour-intensive enterprises, and they have to rely on a substantial increase in wages and benefits to alleviate the problem of "recruitment difficulties", therefore, the rising labour costs have put enormous pressure on SMEs. In December 2010, the Interim Measures for the Administration of Shenzhen Housing Provident Fund (HPF) came into effect, requiring enterprises and individuals to pay a minimum of 5% of their wages to the Housing Provident Fund. For the city as a whole, the implementation of the housing provident fund system will increase the expenditure of enterprises by at least RMB 7.5 billion. From the policy makers' point of view, the implementation of the HPF policy is a protection for workers, but in the face of today's high housing prices in Shenzhen. The

vast majority of SME employees cannot afford to buy a home, and each month they have to pay a portion of their personal salary to contribute to the HPF, and it is difficult to withdraw it after leaving the company, so the increased cost to the company does not allow employees to get the ultimate benefit.

Talent is the most valuable dynamic resource for enterprise development, and plays a vital role in the development of enterprises. Most SMEs lack talent planning and talent management systems, resulting in talent resources not being able to keep up with the development needs of the enterprise. The competition between enterprises is often a competition of talents, and the availability of high-quality talents and the reasonableness of the talent ladder construction have a significant impact on SMEs, determining their future development and their ability to develop in a sustainable manner. The SMEs in Shenzhen have an urgent need for highly skilled personnel, senior management personnel and professional marketing personnel. The conditions offered by SMEs are less attractive than those offered by some large enterprises. For small and medium-sized enterprises, the talents they train are limited, and once they are lost, the human, material and financial resources spent will not be returned as soon as possible, while the frequent turnover of personnel is not conducive to the long-term stability of the work, affecting the continuity of the work. Therefore, how to retain talents is also an important issue for the development of SMEs in Shenzhen.

4.2.1.5 The degree of information technology

Enterprise development strategy decision depends on relevant information. The degree of informatization plays an important role in the efficiency of enterprise decision-making and operation, and the level of informatization reflects the breadth and

depth of enterprise operation. Most SMEs are limited by their own strength, resulting in a small proportion of investment in information technology, resulting in a single channel for obtaining information on enterprise development and a narrower access to information, which seriously affects the level of decision-making on enterprise development strategies and the level of information technology on business processes for enterprise development.

4.2.1.6 Innovation capability status

Innovation capability is a key factor in maintaining the competitiveness of enterprises and plays a vital role in their survival and development. Most of the SMEs in Shenzhen are private enterprises, and the management mode of enterprises is mostly family management, lacking strategic support, and the entrepreneurs' management mode of enterprises is relatively crude, driven by short-term interests, and not broadening their horizons for enterprise development. Secondly, the innovation process is a large investment, time-consuming and requires a large amount of capital to support the process, while SMEs have weak financial strength and need to make quick profits to survive in the production and operation process, so they have too little investment in the infrastructure and new equipment needed for the innovation process. This makes it difficult for SMEs to innovate. In addition, due to the large number of enterprises in Shenzhen, the competition between enterprises is fierce, so how to seize the talent, choose the right direction, as soon as possible innovation to stand out is also a problem that SMEs have to face.

On the whole, most SMEs in Shenzhen are still at the lowest end of the traditional industrial value chain, with a weak capacity for technological innovation, a crude

production and operation structure, outdated machinery and equipment, a lack of professional talents, independent intellectual property rights and their own brands. It is difficult to adapt to the rising operating costs in a timely manner and cannot meet the realistic requirements of timely transformation of the business mode and adjustment and optimisation of the economic structure. This is reflected in:

(1) Lack of technological innovation strategy. SMEs lack a long-term goal and overall plan for technological innovation development, focusing too much on immediate interests and without a clear development strategy. Even if there is a strategy, few enterprises combine the technology development strategy with the overall business development strategy of the enterprise, lacking a certain sense of innovation, and the technological innovation work of the enterprise is only a local adjustment or improvement, lacking its own core technology.

(2) Lack of technical professionals. The employees of SMEs in China mainly come from the surplus labour force in rural areas and new labour force in cities and towns, with a low level of education and lack of necessary professional skills, insufficient number of technicians and professional managers, and relatively low technical and management levels. At the same time, SMEs are unable to create an effective training base for their own personnel due to the limitations of their size. Therefore, the lack of talents has become a major problem for the development of SMEs.

(3) Insufficient investment in technological innovation. Due to their own financial strength or subjective will, SMEs objectively or subjectively do not invest enough money in technological innovation. According to the statistics of the relevant departments, the proportion of research and development expenses of growing SMEs in

China is only 0.53% of their operating costs, which is not only much lower than the level of developed countries, but also lower than the average level of large enterprises in China, so such small capital investment makes it difficult for SMEs to make achievements in technological innovation.

(4) Shortage of information resources. External information is an important source for enterprises to obtain the latest technological knowledge and market opportunities. The sources of technological innovation for SMEs in China are generally the aggregation of ideas or personal knowledge within the enterprises, which lack extensiveness, timeliness and accuracy in collecting technological innovation information, and the innovation capability of enterprises has limitations.

4.2.1.7 Marketing capability status

Marketing ability is an important factor for enterprises to carry out reproduction, and is a key link for enterprises to convert products into cash flow, which is related to the continuation and growth of enterprise development and determines the competitive position of enterprises in the market competition. The marketing capability of Shenzhen SMEs needs to be strengthened, and there is a lack of corresponding professional marketing teams. The construction of marketing capability is also an important part of the development strategy of SMEs in the Shenzhen region, which should be strengthened not only in the above aspects, but also in the construction of enterprise marketing capability.

4.2.2 Status of Social Relations for Business Development Strategies

4.2.2.1 Suppliers

In the development process of SMEs, most enterprises are only engaged in a part of the production of products, with the deepening of the division of labour, enterprise development and upstream and downstream enterprises to produce a variety of corresponding business relationships, which includes the relationship with suppliers. A good supplier relationship has an important impact on the development strategy of an enterprise and helps it to develop better. According to the Shenzhen Statistical Yearbook, most of the SMEs in Shenzhen are private enterprises and limited liability companies, the strength of these enterprises is relatively poor compared to the strength of state-owned enterprises, collective enterprises, joint ventures and joint stock companies. This indicates that the comprehensive strength of suppliers in the development strategy of SMEs in Shenzhen region in their industries is generally low, and suppliers cannot provide better products and services for the development strategy of enterprises, which will to a certain extent affect the expansion of the market of enterprises, and will also affect the cooperative relationship between enterprises and enterprises, which is not conducive to the construction of strategic partnership between suppliers and enterprises.

4.2.2.2 Customer relationship

The issue of customer relationship is a general term for the relationship between downstream enterprises, intermediaries and end-consumers, who have relevant links with the enterprise. Based on their frequency and depth, they can be simply categorised as transactional relationships, cooperative relationships and supply relationships. Due to their size and market limitations, SMEs have to continuously maintain new and existing customers, and loyal and stable customers are irreplaceable to their development strategy. The coverage of SMEs in the Shenzhen region is relatively small and most

companies in this region have not developed their customers to a sufficient extent. In terms of relationship with old customers, the base of stable old customer groups of SMEs in Shenzhen is too small, and the proportion of investment in maintaining old customer groups in the marketing process of enterprises is low, resulting in the loss of some old customers; in terms of new customer development efforts, SMEs in Shenzhen do not make enough efforts to develop new customers, and most enterprises limit their customer development horizons to the surrounding areas of Shenzhen only, and do not base on the national customer, the market or even the international market, not to speed up the pace of enterprises to go out, which to a certain extent limits the development strategy of enterprises.

4.2.2.3 Competitive situation

The fierce competition faced by Shenzhen SMEs in their development process is a major problem faced by most SMEs in China, especially the competition with large enterprises, which is a matter of life and death for SMEs. Most of the SMEs in Shenzhen are private enterprises, which are small in scale and weak in strength, and most of them are backward in the configuration of production equipment and have a low level of modern information technology, which leads to a single product structure, lack of added value, lack of extension and development functions, and the inability to meet the personalized needs of customers, resulting in a narrow profit margin for the production of products, leading to a poor overall profitability of enterprises in the process of operation. As a result, the profitability of the products produced is narrow, resulting in the overall profitability of the enterprises in the process of operation being poor; the enterprises in this region also lack strategic support in the process of operation

due to their sloppy management and operation methods, resulting in higher costs in the process of production and operation. Therefore, in the fierce competitive market environment, Shenzhen SMEs are facing a more severe situation, and their ability to compete with similar large and medium-sized enterprises is not strong, and they are in a disadvantaged market environment, and because their management does not have a strong sense of risk prevention, resulting in Shenzhen SMEs facing greater disadvantages and challenges in the process of market competition.

4.3 Comparison of the Development Status of SMEs in Shenzhen

4.3.1 Overall Situation

According to the SME Development Environment Assessment Report 2020 (Table 4-1), the top five cities in each segment of the evaluation indicators are as follows: Shanghai, Shenzhen, Nanjing, Guangzhou and Beijing; in terms of market environment: Shenzhen, Nanjing, Hangzhou, Guangzhou and Shanghai; in terms of rule of law environment: Nanjing, Fuzhou, Guangzhou, Xiamen and Tianjin; in terms of financing environment: Shanghai, Nanjing, Shenzhen, Hangzhou and Xiamen; in terms of innovation environment: Beijing, Shanghai, Shenzhen, Tianjin and Xi'an; and in terms of policy environment: Guangzhou, Beijing, Shanghai, Hefei and Shenzhen.

Table 4.1 SME Development Environment Assessment Score Ranking

Rank	City	overall 1 rating	Market environmen t	Rule of law	Financing environm ent	Innovation environmen t	Policy Environm ent
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		s					
1	Shanghai	0.756 1	0.6435	0.77 99	0.8231	0.7831	0.7512
2	Shenzhen	0.732 8	0.7357	0.87 84	0.6242	0.6851	0.7406
3	Nanjing	0.698 9	0.6969	0.97 22	0.6565	0.4662	0.7029
4	Guangzhou	0.684 0	0.6651	0.89 48	0.4783	0.5400	0.8416
5	Beijing	0.6818	0.4925	0.67 61	0.5628	0.8816	0.7959
6	Hangzhou	0.668 9	0.6665	0.86 17	0.5906	0.5297	0.6880
7	Xiamen	0.6324	0.5986	0.89 13	0.5931	0.4167	0.6622
8	Chengdu	0.623 8	0.5660	0.84 59	0.5449	0.4489	0.7134
9	Tianjin	0.620 7	0.5557	0.88 74	0.3328	0.6326	0.6949
10	Ningbo	0.619 8	0.6281	0.83 25	0.5452	0.3900	0.7034
11	Changsha	0.586 1	0.5546	0.88 73	0.4832	0.3978	0.6074

12	Hefei	0.5728	0.6046	0.8204	0.2998	0.3895	0.7496
13	Xi'an	05688	05023	0.8017	0.2999	0.5884	0.6516
14	Changchun	05672	04656	0.8694	0.4344	0.4168	0.6498
15	Kunming	0.5642	0.4884	0.8376	0.4013	0.3581	0.7355
16	Chongqing	0.5510	0.4954	0.8065	0.4049	0.3911	0.6569
17	Qingdao	0.5506	0.6053	0.7067	0.4250	0.4412	0.5747
18	Fuzhou	0.5504	0.4374	0.9301	0.4138	0.3265	0.6442
median		0.5453	0.4937	0.7407	0.3761	0.3806	0.6470
19	Wuhan	0.5402	05210	0.7206	0.3461	0.5157	0.5976
20	Jinan	0.5326	0.4229	0.7088	0.5418	0.3779	0.6117
21	Nanchang	0.5307	0.5172	0.8019	0.3933	0.3877	0.5537
average value		0.516	0.4951	0.70	0.3889	0.4014	0.5934

		3		30			
22	Zhengzhou	0.4861	0.4948	0.6995	0.3416	0.4029	0.4919
23	Harbin	0.4853	0.4658	0.5629	0.4060	0.3085	0.6831
24	Xining	0.4577	0.3357	0.7608	0.2816	0.2299	0.6804
25	Lanzhou	0.4530	0.3755	0.7030	0.2426	0.3173	0.6269
26	Guiyang	0.4322	0.5100	0.5808	0.2550	0.3087	0.5063
27	Shijiazhuang	0.4193	0.3467	0.5259	0.3589	0.2935	0.5716
28	Nanning	0.4124	0.4440	0.7090	0.3175	0.1697	0.4218
29	Hohhot	0.3927	0.4523	0.6647	0.2350	0.2255	0.3859
30	Yinchuan	0.3893	0.4322	0.3276	0.2659	0.2508	0.6702
31	Dalian	0.3434	0.3371	0.4030	0.2471	0.3305	0.3993
32	Shenyang	0.3195	0.3171	0.3060	0.1897	0.3219	0.4627

33	Taiyuan	0.315 7	0.3468	0.42 09	0.1476	0.3255	0.3379
34	Urumqi	0.313 2	0.2985	0.35 52	0.1507	.3334	0.4280
35	Haikou	0.306 1	0.4114	0.37 16	0.2243	0.1948	0.3284
36	Lhasa	0.2288	0.3916	0.50 59	0.13353	0.0717	0.0414

Overall, national laws, regulations and policy measures to support the development of SMEs have played a positive role, with most cities showing different degrees of optimisation in their development environment compared to the previous year, although the differences between different regions, cities and indicators are still relatively obvious. Shanghai, Shenzhen, Nanjing, Guangzhou, Beijing, Hangzhou, Xiamen, Chengdu, Tianjin and Ningbo ranked among the top ten (as shown in Table 4-1). In addition, combined with field research and enterprise surveys, etc., it was reflected that the development of SMEs faced greater impact challenges due to the impact of the COVID-19 pandemic, but with the introduction of various central and local support policies and strong protection against the domestic epidemic, the economic operation of most regions stabilised and the overall trend of improving and improving the development environment for SMEs remained unchanged. Guangdong's Shenzhen and Guangzhou even ranked second and fourth nationally.

4.3.2 Features of the Development Environment of the Participating Cities

Firstly, the development environment of each city formed four echelon structural features, with a clear descending distribution among regions.

On the one hand, the overall scores of the 36 cities and the scores of various first-tier indicators all form a distinctive 4-tier structure, with relatively obvious differences in scores between different tiers (Figure 4-1). Among them, the first and fourth echelon cities are more stable when comparing the results of the 2019 pilot assessment.



Figure 4.1 Main characteristics of the development environment of the participating cities

On the other hand, the mean composite scores across regions show a more obvious

descending order of "East - Central - West and Northeast" (Figure 4-2). In terms of specific rankings, 9 of the top 10 cities are from the east, while the bottom 10 cities are mainly from the west (5) and the northeast (2). At the same time, there is a wide gap in the development environment among the 12 cities in the west, with Chengdu and Xi'an performing better overall and many other cities ranking lower, with the contradiction of an uneven development environment more prominent, with Shenzhen and Guangzhou both belonging to one of the six cities at the head.

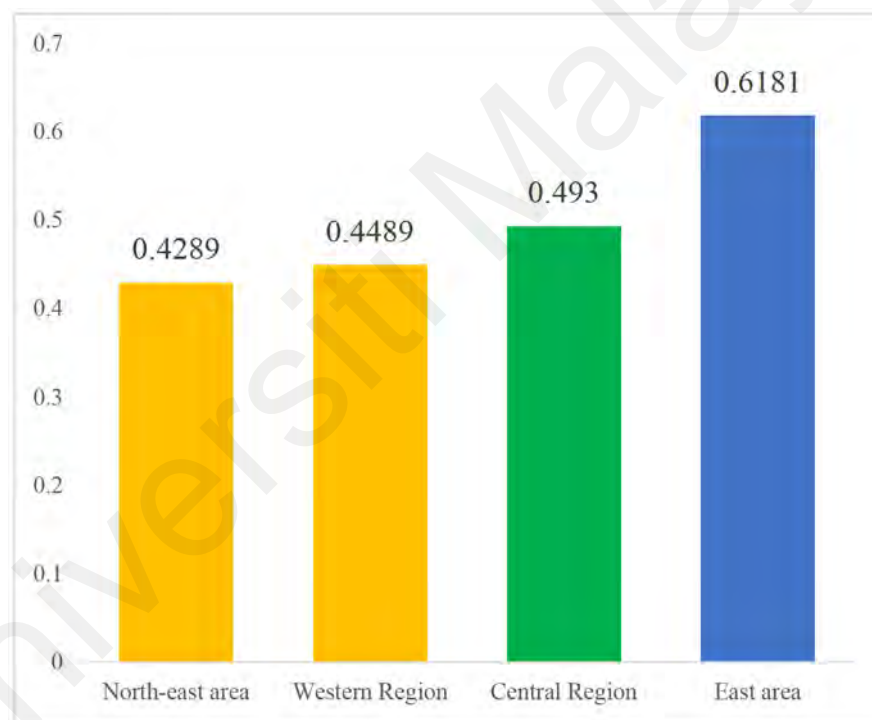


Figure 4.2 Overall score by region

Secondly, there are differences in the performance of various environments between cities, with the financing environment having the highest correlation with the overall level of the development environment. In terms of the average scores of the five primary indicators that make up the development environment, the rule of law environment (0.7030) and policy environment (0.5934) have higher scores, indicating

that the overall performance of cities is more balanced, and the gap between the top and bottom ranking cities is relatively small; while the financing environment (0.3889), innovation environment (0.4014) and market environment (0.4951)) scores are low, indicating a wide gap in overall performance between cities. The average scores of different regional indicators also show that there are obvious gaps in the financing environment, innovation environment and market environment in other regions, with more shortcomings and deficiencies compared to cities in the eastern region (Figure 4-3).

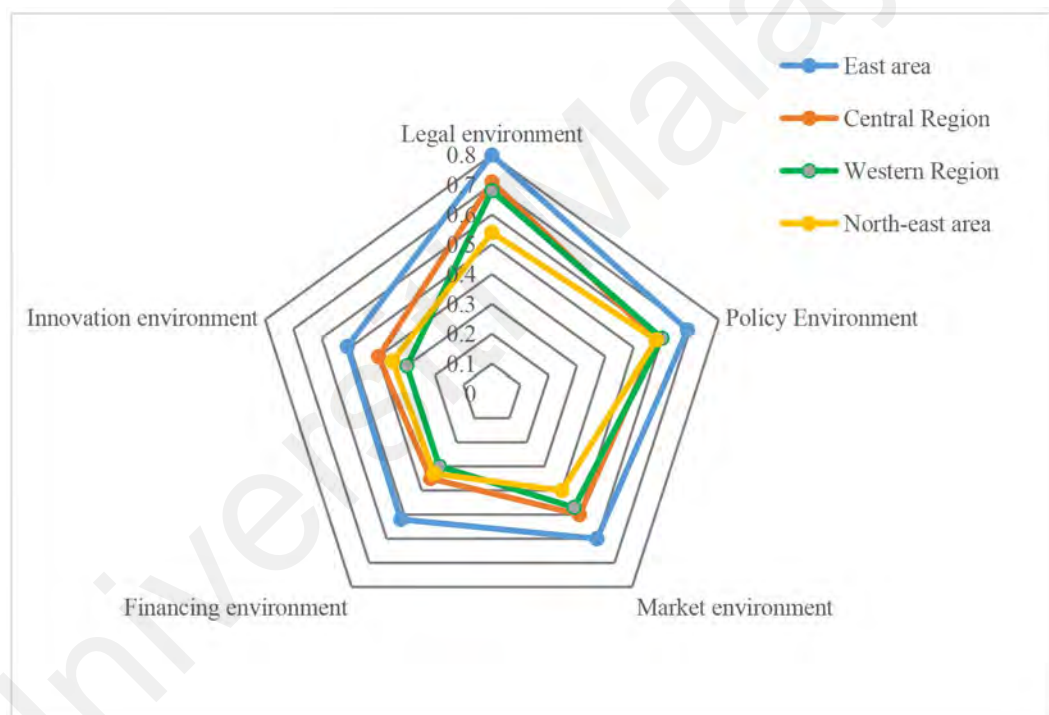


Figure 4.3 Scores of different regional level indicators

In addition, the correlation coefficients between the first-tier indicators and the overall score show that the good or bad financing environment has the highest degree of influence on the overall level of development environment. This reflects the direct and obvious significance of measures to enhance the ability of financial services to the real economy, promote the effective implementation of various financing support policies, and improve the convenience of financing to reduce financing costs, in optimising the

development environment for SMEs.

Thirdly, the balance of various environmental indicators within cities is uneven, with the development advantages of the top cities being more prominent. Shanghai and Shenzhen in the first and second places, and Nanjing and Guangzhou in the third and fourth places, each ranked in the top 5 in four and three of the five first-tier indicators, reflecting strong overall strength. Beijing and Hangzhou are among the top two cities in the overall rankings for their outstanding performance in innovation and policy environment, and market and financing environment respectively. The cities at the bottom of the rankings performed relatively poorly in various environments, with some of them having significant shortcomings in individual areas such as innovation environment and market environment, which affected their overall performance.

Fourthly, the environment for SME development is closely related to population density and urbanization level. Nine of the top 10 cities in terms of overall score are located in the southeast of the Hu Huanyong Line, and their common characteristics are higher population density, higher urbanization, better economic and financial base, and generally higher quantity and quality of SMEs. The cities in the northwest of the Hu Huanyong Line are relatively less innovative and less invested, and there is a large gap between the quantity and quality of SMEs compared to the economically developed cities (Figure 4.4).



Figure 4.4 Overall score of SME development environment

Fifthly, the development environment in some areas has been significantly improved compared to the previous year. For example, the convenience of government services has been significantly improved, and the time for starting a business has been significantly compressed, from an average of 6.3 days at the time of the trial assessment to 4.9 days; the construction of institutional mechanisms to support SMEs has been continuously improved, for example, the four cities that had not yet established a leading mechanism for promoting SMEs at the time of the trial assessment have successively set up leading groups and carried out relevant coordination work; the role of policy-based financing guarantees has continued to be brought into play, with the amount of guarantees by cities rising from an average of RMB4.327 billion in the previous year to RMB6.273 billion. The average amount of guarantee in each city rose from RMB 4.327 billion in the previous year to RMB 6.273 billion.

4.3.3 The role of Support Policies During the COVID-19

In 2020, the sudden outbreak of the COVID-19 pandemic brought unprecedented difficulties and challenges to the production and operation of SMEs. The Party Central Committee and the State Council introduced a series of timely and precise policy "combinations". In the questionnaire survey and field research, enterprises generally reflected that the policies of tax concessions, electricity tariff reduction and transport cost reduction were the most widely benefited, the policies of social insurance exemption and deferral of five insurance premiums had the highest gold content, job stability subsidies and operation protection measures were the most heart-warming, and financial support policies. These policy measures have played a positive role in speeding up the resumption of production and the stabilisation of the economy. In contrast, the enterprises' sense of access to policies such as financing support and rent reductions has yet to be strengthened.

4.3.4 Strategies of Improving the Development Environment for SMEs

The evaluation found that there are many advanced experiences and practices in promoting the development of SMEs in different places that are worth promoting and learning from, including: Firstly, the reform of the administrative approval system has been continuously promoted. For example, Shenzhen City has launched the "i Shenzhen" APP, which enables more than 70% of the city's legal person matters to be approved and handled in seconds on the palm of the hand; Yinchuan City has "only one door, only one window and only one set of materials" for business start-up. The fastest

time from processing to completion is 0.5 days. The second is to smooth the communication channels between government and enterprises. For example, Guangzhou City has established a system of plea talks between municipal leaders and private entrepreneurs to fully listen to enterprises' opinions and suggestions on policy formulation, and many policy suggestions have been incorporated into relevant policy documents; Nanjing City holds monthly "service day breakfast meetings", in which the main leaders of the municipal government and the heads of small and medium enterprises have breakfast together and ask for needs and plans from enterprises on the spot. The city of Nanjing holds monthly "service day breakfast meetings", where key leaders of the municipal government have breakfast with the heads of SMEs, asking them what they need and what they think. Thirdly, innovative financing service means. For example, Hangzhou City has integrated information from multiple channels, such as supply and demand of bank and enterprise financing, government data and commercial data, and launched the "Hang Credit" product, which is pure credit, free of collateral and low cost, for SMEs in foreign trade and other industries; Xiamen City has set up a 1.6 billion yuan "Credit Enhancement Fund for Small and Medium Enterprises" to provide credit financing and risk compensation for enterprises. Fourthly, it builds an ecological system for the innovation and development of SMEs. For example, Changsha City has arranged special funds to support the financing and product innovation of municipal "specialized and special new" small giant enterprises and promote the development of enterprises into single champion enterprises in niche areas; Xi'an City has created a model of "research institution + angel fund + incubator + entrepreneurial training" as a whole. The city of Xi'an has created a model of industrialization of

scientific and technological achievements, forming a closely dovetailed entrepreneurship and innovation ecosystem. Fifth, the response to enterprises' demands has been increased. For example, Ningbo City has established the "8718 (helping enterprises)" public service platform for small and medium-sized enterprises, opened four hotlines for complaints and rights protection, and a collaborative processing mechanism for the flow of platforms at the city and county levels; Tianjin City has strengthened its response to complaints and reports, and adopted disciplinary and judicial means to plug the loopholes in fund management and solve the "old debts" owed to small and medium-sized enterprises. Sixth, innovative SME service models. For example, Shanghai has created the country's first comprehensive e-government platform, promoted 11 municipal government departments and 16 districts to open "flagship shops" in the cloud, and launched tens of thousands of professional service products; Nanjing has explored the new mode of operation of "government investment, state-owned enterprises, professional services and quasi-market-oriented operation", and created a new model of "government investment, state-owned enterprises, professional services and quasi-market-oriented operation". Nanjing has explored a new mode of operation of "government investment, state-owned enterprises, professional services and quasi-market-oriented operation" to build a public service platform for biomedicine in Jiangbei New Area, laying out a full chain of services in the life and health field and realising a sustainable development model of providing market-oriented services for SMEs.

In addition, the assessment process also found that there are still some shortcomings in optimising the development environment for SMEs in various places, mainly including:

(1) the role of the working mechanism for promoting SMEs needs to be further played, and the support for work in some places has weakened; (2) the lack of in-depth and effective implementation of financing support policies has become a key and difficult problem that restricts the development of SMEs; (3) the legal rights and interests of SMEs have been infringed upon (4) The reform of the commercial system still needs to be deepened, and some measures have yet to be fully implemented; (5) Some hidden barriers still exist, and a fair competitive market environment needs to be improved; (6) Factor prices have risen too quickly, and the cost burden on enterprises is still on the high side; (7) Intellectual property rights are not sufficiently protected, and investment in innovation needs to be enhanced; (8) Some policies to benefit enterprises and reduce their burden. The operability of some policies to reduce the burden on enterprises is not strong. There are still blockages in the last mile, and the satisfaction of enterprises needs to be further improved.

4.4 A brief introduction to SME in different markets in China and the West.

Small and medium-sized enterprises, as participants in economic activities, play a very important role in both Western countries and China. As part of the expanded background information for the study, this thesis provides a brief introduction to the problems and current situation faced by small and medium-sized enterprises in China and the West. If we compare the small and medium-sized enterprises in the western market, as small and medium-sized enterprises developing in a socialist market economy environment with Socialism with Chinese characteristics, their external

environment and internal conditions are different from those of small and medium-sized enterprises developing in the western market economy environment. Here is a brief introduction to the differences between small and medium-sized enterprises in China and the West from both external and internal perspectives.

One hand is facing different social systems. Different social systems determine different market environments. The market economy is under the capitalist system of western countries. Therefore, the self-regulation of economic laws is the main force of the market, and government administrative intervention is a secondary force. China's special social system determines that administrative orders have a significant impact on the market. Different market environments, levels of administrative intervention, and operating rules will lead to differences in market fairness. The situation where small and medium-sized enterprises can obtain resources from the external environment is also different.

On the other hand, China's market economy has only developed for over 40 years. The true liberalization of small and medium-sized enterprises' participation in market activities began in the late 1980s and early 1990s. Since China joined the World Trade Organization, although China has achieved great success in its reform and opening up, the growth of the competitiveness of small and medium-sized enterprises has not been satisfactory. Given the special environment of China's market economy, compared to large enterprises, small and medium-sized enterprises in China are in a disadvantaged position in many aspects.

Therefore, in a simple summary, small and medium-sized enterprises in Western countries and small and medium-sized enterprises in China face different positions and

situations in economic activity participation. The most fundamental factor is the differences in social systems and market operating rules, which will make the survival of small and medium-sized enterprises in China more difficult.

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CHAPTER 5

EMPIRICAL FINDINGS FROM QUESTIONNAIRE SURVEY

5.1 Questionnaire Design and Data Sources

5.1.1 Questionnaire Design

Firstly, the design, implementation and approval of the questionnaire have been applied to the research ethics committee of the University of Malaya and Institute for Advanced Studies and obtained the research ethics permission (Appendix 1).

This thesis is based on the previous research combined with the current situation of strategic management of SMEs in the Shenzhen region in Chapter 3 to determine the corresponding measurement indicators of the questionnaire, which was conducted on the factors affecting the development strategies of SMEs in the Shenzhen region. The questionnaire was developed in terms of three dimensions: internal influencing factors, social relationship influencing factors and external environment influencing factors of SMEs in the Shenzhen region, and was divided into two sections of basic information and main questions, with a total of 50 questions. The main questions were measured using an extensive Likert 5-point scale, with 1 being very unimportant and 5 being very important. The scale was repeatedly revised with the help of the tutor to ensure the reliability of the scale.

Prior to the implementation of the questionnaire, five professionals familiar with SME development strategies were invited to conduct a pre-test of the questionnaire. They conducted a small-scale discussion on each question in the questionnaire and provided corresponding guidance suggestions before finalizing the specific content of the

questionnaire, which enhanced the validity of the questionnaire presentation.

In order to obtain first-hand information on the factors influencing the development strategies of SMEs in Shenzhen, the questionnaire was mainly targeted through an online survey, which was distributed to SME stakeholders (entrepreneurs, managers and employees) in Shenzhen. The survey area covered Luohu District, Futian District, Nanshan District, Bao'an District, Longgang District and Yantian District in Shenzhen.

5.1.2 Design of Indicators for Measuring Impact Factors

The indicators required for the study in this thesis are: 7 indicators of internal influence factors; 3 indicators of social relationship influence factors and 5 indicators of external environment influence factors.

Table 5.1 Evaluation indicators of internal dimension of SME development strategy

Dimension	Influencing factors	index	standard
Dimensions of internal factors affecting SMEs in Shenzhen	Corporate Strategy	Q1: Specificity and appraisal	1.Very
		Q2: Operability and matching	unimportant;
		Q3: Economic policy integrated with market demand economic policy?	2.Less important;
	Organizational structure	Q4: Matching degree of corporate structure and development strategy	3.Generally important; 4.More important;

		Q5: Is the corporate structure conducive to organizational communication?	5.Particularly important
		Q6: Matching degree of corporate organization and task	
	Financial status	Q7: Perfection of financial mechanism	
		Q8: Profitability	
		Q9: Solvency	
	Human Resources	Q10: Job matching and training situation	
		Q11: Difficulty in acquiring talents and reserve status	
		Q12: The degree of perfection of the human resource management system	
	Information level	Q13: The proportion of informatization investment in fixed asset investment	
		Q14: The degree of informatization of core business processes	

		Q15: Information level of corporate decision-making	
	Creativity	Q16: Proportion of investment in innovation research	
		Q17: Quality and proportion of innovative talents	
		Q18: Innovation output status	
	Marketing ability	Q19: Analysis of product target market	
		Q20: Marketing team and strategy construction status	
		Q21: Product market share and growth rate	

Table 5.2 Evaluation indicators for the social relations dimension

Dimension	Influencing factors	index	standard
Dimension of influencing Factors of Social Relations in the	Supplier Relations	Q22: Supplier strength	1.Very
		Q23: Does the supplier's service quality contribute to the enterprise market development?	unimportant; 2.Less important; 3.Generally

Development Strategy of Small and Medium-sized Enterprises in Shenzhen Area		Q24: Degree of strategic partnership with suppliers	important; 4.More
	customer relations	Q25: Stable customer ownership	important; 5.Particularly
		Q26: Contribution status of old customers to business income	important
		Q27: The input and output of developing new customers	
	Competitive situation	Q28: The market capacity of the product records the consumer demand situation	
		Q29: Competition status of the enterprise industry	
		Q30: Corporate competitiveness and rival strength	

Table 5.3 Evaluation indicators for the external environment dimension

Dimension	Influencing factors	index	standard
Dimensions of the external	Natural environmental	Q31: The supply of cheap raw materials	1.Very unimportant;

environment influencing factors of the development strategy of SMEs in Shenzhen area	factors	Q32: Convenience of traffic conditions	2.Less important;
		Q33: Degree of conflict between environmental protection and resource development	3.Generally important; 4.More important;
	Market environment factors	Q34: Degree of macroeconomic impact	5.Particularly important
		Q35: Soundness of market order	
		Q36: Enterprise development prospects	
		Q37: Degree of influence of open market competition	
	Policy environment factors	Q38: Improvement of policies and regulations	
		Q39: The status of policy support in Shenzhen	
	Financing environment factors	Q40: financing channels and degree of difficulty	
		Q41: The degree of perfection of Shenzhen's financial mechanism	

		Q42: Degree of corporate debt repayment pressure	
	Science and Education Environmental Factors	Q43: Staff quality	
		Q44: Acquisition of outstanding talents	
		Q45: Status of Shenzhen universities and research institutes	
		Q46: Corporate business income growth	

By referring to the corresponding research results of other scholars and then making a comprehensive consideration, this thesis chooses the revenue growth rate of the main business as the measure of the influencing factors of the development strategy of SMEs in Shenzhen. Because most of the SMEs in Shenzhen are in the early stage of business development or business expansion, and the accumulation of capital and market development are the main tasks of SMEs in Shenzhen during this period. Therefore, the growth rate of business revenue is chosen as a measure of the development strategy of SMEs in Shenzhen in order to examine the development of the main business operations of SMEs in Shenzhen in the recent period, which to a certain extent can reflect the development situation of SMEs in Shenzhen and the corresponding business results.

Table 5.4 Development strategy impact factor measures

	Evaluation index	Metrics
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Influencing factors	(Y) Main operating income growth rate	1. Very unimportant; 2. Less important; 3. Generally important; 4. More important; 5. Particularly important
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5.1.3 Collection of data

This time, through a web-based questionnaire survey of SMEs in the Shenzhen area, a total of 150 web-based survey questions were received. The questionnaires received were checked accordingly and the unqualified ones were eliminated, finally 148 valid questionnaires were obtained, and the percentage of valid questionnaires collected reached 98.7%. The sample characteristics were statistically as follows.

Table 5.5 Statistics on the characteristics of the sample enterprises in Shenzhen

Basic characteristics of the enterprise		Frequency	percentage	Cumulative percentage
Years of establishment	1-5 years	74	50%	50%
	5-10 years	30	20.27%	70.27%
	10-15 years	18	12.16%	82.43
	More than 15 years	26	17.57%	100%
industry	manufacturing	30	20.27%	20.27%

	Business Service Industry	52	35.14%	55.41%
	High-tech industry	12	8.11%	63.52%
	Real estate company	11	7.43%	70.95%
	other	43	29.05%	100%
nature	State-owned	35	23.65%	23.65%
	Collectively owned	12	8.11%	31.76%
	private	90	60.81%	92.57%
	Three capital	5	3.38%	95.95%
	Joint venture	6	4.05%	100%
Number of employees	1-10 people	41	27.70%	27.70%
	10-50 people	47	31.76%	59.46%
	50-100 people	27	18.24%	77.70%
	100-200 people	10	6.76%	84.46%
	More than 200 people	23	15.54%	100%

Through the statistics of the characteristics of the sample enterprises surveyed in Shenzhen, it can be seen from the statistical table that, among the sample enterprises surveyed, the number of years since their establishment is mainly concentrated in the range of 1-5 years, and the number of sample enterprises in this range accounts for 50% of the total sample; the business engaged in by the sample enterprises is mainly

concentrated in trade and commerce services, other types of industries and manufacturing industries, etc., which is consistent with the actual situation of SMEs in Shenzhen through the sample's. The nature of the enterprises surveyed is that private enterprises account for 60.81% of the total sample, which is a very large proportion of the sample, and these enterprises are small in scale and their scope of operation is more restricted by space, which is a good representation of SMEs in Shenzhen. The interval of less than 100 employees reached 77.7%. The above statistical analysis shows that the surveyed sample data shows that the surveyed sample fits well with the criteria of SMEs in Shenzhen and meets the requirements of the survey sample for this thesis.

5.2 Factor Analysis

5.2.1 KMO and Spherical Bartlett Test

Before factor analysis, KMO test and Bartlett sphere test were carried out first. When the KMO test coefficient was >0.5 (the significance probability of Bartlett sphere test's χ^2 statistical value) $P \text{ value} < 0.05$, the questionnaire had structural validity and could be used for factor analysis. The factor analysis was mainly to make a questionnaire, whether it could play a representative role in what you wanted to investigate.

The data collected from the survey on the factors influencing the development strategies of SMEs in Shenzhen were first tested using the KMO and spherical Bartlett tests to analyse whether they met the requirements of factor analysis. Table 4-6 shows the results of the KMO and spherical Bartlett test for the factor analysis of the survey data on the factors influencing the development strategies of SMEs in the Shenzhen region,

with a KMO value of .954. $KMO > 0.9$ means that the original variables of the survey data are suitable for factor analysis. Also, the probability p-value based on Spherical Bartlett test is .000, which is less than 0.05, rejecting the hypothesis that the correlation coefficient matrix is a unit array, indicating that there is a correlation between the original variables of the survey data and that the original matrix cannot be a unit array, also indicating that factor analysis is suitable for the collected data.

Table 5.6 KMO and spherical Bartlett's test

kaiser-meyer-olkin		0.954
bartlett Sphericity test	Approximate chi-square	7716.501
	Degree of freedom	990
	Significance level	0

5.2.2 Commonality of Factor Analysis

Table 5.7 Initial solutions for factor analysis

	Initial	Extract		Initial	Extract
Q1	1	0.685	Q23	1.000	0.746
Q2	1	0.786	Q24	1.000	0.741
Q3	1	0.696	Q25	1.000	0.758
Q4	1	0.792	Q26	1.000	0.746
Q5	1	0.777	Q27	1.000	0.706
Q6	1	0.769	Q28	1.000	0.741
Q7	1	0.664	Q29	1.000	0.713

Q8	1	0.584	Q30	1.000	0.824
Q9	1	0.777	Q31	1.000	0.693
Q10	1	0.769	Q32	1.000	0.779
Q11	1	0.822	Q33	1.000	0.793
Q12	1	0.731	Q34	1.000	0.813
Q13	1	0.755	Q35	1.000	0.743
Q14	1	0.732	Q36	1.000	0.753
Q15	1	0.734	Q37	1.000	0.691
Q16	1	0.519	Q38	1.000	0.768
Q17	1	0.790	Q39	1.000	0.782
Q18	1	0.831	Q40	1.000	0.675
Q19	1	0.755	Q41	1.000	0.798
Q20	1	0.788	Q42	1.000	0.874
Q21	1	0.817	Q43	1.000	0.812
Q22	1	0.735	Q44	1.000	0.717

Table 5-7 shows the initial solution to the factor analysis, and the table shows the data on the commonality of the original variables. The first and fourth columns of Table 5-7 represent the variable names; the second and fifth columns represent the initial commonality, which is an estimate of the variance of each variable after considering all components and corresponding factors; and the third and sixth columns represent the extraction of the eigenroot commonality, which is the degree to which the extracted eigenvalues explain each of the original variables of interest. The purpose of the analysis using factor analysis is to find common factors that are smaller in number than

the number of variables and that better reflect the information of the vast majority of the variables in the total set of variables by means of dimensionality reduction. Table 5-7 reflects the degree of commonality about all variables with a characteristic root greater than one. The data in Table 5-7 show that, except for a few original variables, the commonality of 44 variables basically reached 70% or more. If the commonality of most variables is higher than 0.7, it means that the extracted common factors can basically reflect the main information of the original variables, which means that the information of the original variables is well preserved, and the missing common factors can explain all variables better.

5.2.3 Explanation of Total Variance

Table 5.8 Total variance explained

Ingredients	Initial eigenvalue			Extract the sum of squares and load		
	total	Of variance%	accumulation %	total	Of variance%	accumulation %
1	27.656	61.457	61.457	27.656	61.457	61.457
2	2.353	5.229	66.686	2.353	5.229	66.686
3	1.345	2.989	69.675	1.345	2.989	69.675
4	1.298	2.885	72.560	1.298	2.885	72.560
5	1.015	2.255	74.815	1.015	2.255	74.815
6	0.933	2.074	76.889			

7	0.812	1.803	78.692			
8	0.689	1.531	80.223			
9	0.645	1.433	81.656			
10	0.602	1.337	82.993			
11	0.570	1.267	84.260			
12	0.511	1.136	85.396			
13	0.471	1.047	86.443			
14	0.441	0.980	87.423			
15	0.429	0.854	88.377			
16	0.420	0.933	89.310			
17	0.378	0.840	90.150			
18	0.360	0.799	90.950			
19	0.320	0.710	91.660			
20	0.306	0.680	92.340			
21	0.268	0.595	92.935			
22	0.264	0.538	93.522			
23	0.250	0.554	94.077			
24	0.235	0.521	94.598			
25	0.205	0.456	95.054			
26	0.200	0.445	95.499			
27	0.191	0.425	95.925			
28	0.186	0.414	96.338			

29	0.166	0.369	96.707			
30	0.161	0.358	97.066			
31	0.146	0.325	97.391			
32	0.143	0.317	97.708			
33	0.120	0.278	97.985			
34	0.111	0.246	98.231			
35	0.109	0.243	98.474			
36	0.102	0.228	98.702			
37	0.093	0.207	98.909			
38	0.082	0.182	99.092			
39	0.072	0.159	99.251			
40	0.070	0.156	99.406			
41	0.063	0.139	99.545			
42	0.059	0.132	99.677			
43	0.055	0.123	99.800			
44	0.048	0.107	99.907			
45	0.042	0.093	100.000			

Table 5-8 shows the list of total variables explained by the factor analysis, consisting of the 'Initial Eigenvalues' and the 'Extracted Sum of Squares Loaded'. In the initial eigenvalues section, the "Total" column represents the corresponding eigenvalues of the factors, i.e. the variance of the original variables explained by each factor: the "% of variance" column is the proportion of the total variance of all original variables

explained by each factor: the "Cumulative %" is the cumulative contribution of the first n factors to the total variance of the original variables explained. The extracted sum of squares loading section is the explanation of the total variance by the extracted factors. According to Tables 5-8, after extracting the factors by principal component analysis, a total of 5 common factors were extracted, the first factor with an eigenroot of 27.656 explained 61.457% of the total variance of all the original total variables, and the 5 common factors explained a total of 74.815% of the total variance of the original variables (all with initial eigenvalues greater than 1), which is a good explanation.

5.2.4 Rotated Factor Loading Matrices

Table 5.9 Rotated factor loading matrices

Element					
	1	2	3	4	5
Q1	0.235	0.269	0.128	-0.005	0.742
Q2	0.303	0.155	0.111	0.173	0.792
Q3	0.312	0.242	0.484	0.272	0.481
Q4	0.382	0.185	0.223	0.489	0.569
Q5	0.281	0.209	0.400	0.502	0.492
Q6	0.335	0.106	0.379	0.548	0.479
Q7	0.461	0.357	0.370	0.196	0.385
Q8	0.237	0.222	0.559	0.182	0.363
Q9	0.550	0.087	0.411	0.453	0.304

Q10	0.529	0.195	0.406	0.346	0.407
Q11	0.672	0.132	0.454	0.212	0.319
Q12	0.531	0.252	0.333	0.371	0.370
Q13	0.407	0.270	0.548	0.258	0.386
Q14	0.336	0.456	0.513	0.138	0.358
Q15	0.435	0.450	0.525	0.170	0.195
Q16	0.566	0.099	0.032	0.192	0.213
Q17	0.636	0.248	0.443	0.167	0.314
Q18	0.692	0.178	0.400	0.237	0.322
Q19	0.455	0.248	0.560	0.364	0.202
Q20	0.522	0.356	0.414	0.440	0.119
Q21	0.429	0.400	0.572	0.350	0.152
Q22	0.385	0.339	0.566	0.318	0.084
Q23	0.373	0.395	0.441	0.401	0.136
Q24	0.490	0.319	0.464	0.430	0.063
Q25	0.351	0.392	0.656	0.095	0.159
Q26	0.339	0.441	0.632	0.158	0.156
Q27	0.375	0.407	0.436	0.440	0.236
Q28	0.382	0.483	0.462	0.318	0.114
Q29	0.236	0.561	0.385	0.467	0.065
Q30	0.375	0.428	0.474	0.381	0.137
Q31	0.185	0.617	0.052	0.637	-0.032

Q32	0.234	0.682	0.281	0.289	0.105
Q33	0.605	0.303	0.052	0.545	0.145
Q34	-0.019	0.757	0.333	0.215	0.249
Q35	0.174	0.707	0.418	0.182	0.273
Q36	0.338	0.540	0.491	0.118	0.239
Q37	0.086	0.485	0.395	0.518	0.274
Q38	0.259	0.378	0.313	0.589	0.314
Q39	0.475	0.063	0.156	0.614	0.244
Q40	0.200	0.798	0.088	0.211	0.198
Q41	0.532	0.579	0.347	0.051	0.205
Q42	0.488	0.504	0.143	0.488	0.229
Q43	0.634	0.411	0.336	0.184	0.286
Q44	0.817	0.239	0.274	0.127	0.240
Q45	0.793	0.203	0.152	0.255	0.232

Table 5-9 shows the rotated factor loading matrices, which are the result of rotating the factor loading matrices according to the 'variance maximization' method. The factor loading matrix shows the loading of the variables on the five common factors. Based on the resulting loading matrix, it can be seen that Factor 1 has higher loading on Indicator 10, Indicator 11 and Indicator 12, reflecting the influence of employee status and human resource management system factors on the development strategy of SMEs in Shenzhen, and is therefore named D1: Talent System; Factor 2 has higher loadings on Indicator 40, Indicator 41 and Indicator 42, reflecting the financing status of SMEs in Shenzhen, and

is therefore named D2. Financing Environment; Factor 3 has large loadings on Indicators 22, 23, 24, 25, 26 and 27, reflecting the supply and marketing situation of SMEs in Shenzhen, so named D3: Supply and Marketing Relationship; Factor 4 has large loadings on Indicators 38 and 39, reflecting the policy and legal situation of SMEs in Shenzhen, so named D4: Policy and Legal Environment; Factor 5 has large loadings on Indicators 1, 2, 3, 4 Factor 5 has larger loadings on indicators 1, 2, 3, 4, 5 and 6, reflecting the organizational structure and strategy of SMEs in Shenzhen, so it is named D5: Enterprise structure and strategy.

5.3 Regression Analysis

Based on the factor analysis, five public factors were derived: talent system, financing environment, supply and marketing relationship, policy and legal environment, enterprise structure and strategy. The internal influencing factors include the enterprise structure and strategy, and the talent system; the social relationship influencing factors include the supply and marketing relationship; the external environment influencing factors include the financing environment and the policy and legal environment. In order to further determine the influence of each factor on the development strategy of SMEs in Shenzhen, regression analysis is then applied to each of the internal dimension, social relationship dimension and external environment dimension in order to examine their influence on the development strategy of SMEs in Shenzhen, and here the growth rate of main business income (Y) is taken as the assessment index of the development strategy of SMEs in Shenzhen. Regression analysis will be conducted with Y as the dependent variable and internal influence factor, social relationship influence factor and

external environment influence factor as independent variables.

5.3.1 Descriptive Statistics of Variables

Based on the results of the evaluation levels (1, 2, 3, 4 and 5), statistics were calculated for each level of the public factors and each indicator affecting the development strategy of SMEs in Shenzhen, and the comprehensive evaluation of the five public factors (D1-D5) and the development of SMEs in Shenzhen (Y) were calculated by the arithmetic mean method, as shown in Table 5-10.

Table 5.10 Descriptive statistics

	sample	Minimum	maximum	Mean	Standard deviation
D1	148	1.00	5.00	3.8581	1.09427
D2	148	1.00	5.00	3.9775	0.91816
D3	148	1.00	5.00	3.9572	0.92339
D4	148	1.00	5.00	4.0507	0.92918
D5	148	1.50	5.00	3.982	0.90937
Y	148	1.00	5.00	4.01	1.047

5.3.2 Regression Analysis

The regression analysis of the influence factors of the development strategies of SMEs in Shenzhen on the growth rate of main business income was carried out by extracting the internal influence factors (enterprise structure and strategic status, talent system), social relationship influence factors (supply and sales relationship) and external

environment influence factors (financing environment, policy and legal environment) as independent variables and the growth rate of main business income as the dependent variable. The results obtained were collated and summarized accordingly to obtain the results as shown in Table 5-11.

Table 5.11 Model summary table

Model	R	R-squared/R ²	Adjustment of R-squared//R ²	Error in standard	Durbin- Watson
1	0.753	0.567	0.654	0.691	1.999
2	0.637	0.487	0.484	0.564	1.886
3	0.689	0.57	0.567	0.493	1.859

Table 5.12 Table of regression coefficients

Model	Non-standardized coefficients		Standardization factor	t	Sig
	B	Standard error	Trial Version		
1	(Constants)	0.815	0.257	3.177	0.002
	D1	0.459	0.089	5.14	0
	D5	0.357	0.107	3.321	0.001
	F-value		95.31		0
2	(Constants)	0.58	0.246	2.359	0.02
	D3	0.866	0.061	14.312	0
	F-value		204.838		0

3	(Constants)	0.105	0.23		6.885	0.043
	D2	0.763	0.087	0.669	8.798	0
	D4	0.214	0.086	0.19	2.495	0.014
	F-value			157.21		0

Tables 5-11 and 5-12 show the results of the regression analysis. Table 5-11 is the model summary table, which gives the complex correlation coefficient R and the coefficient of determination R^2 of the regression model with the public factors of the internal dimension, the social relationship dimension and the external environment dimension of SMEs in the Shenzhen region as independent variables and the growth rate of the main business operations as the dependent variable respectively. The coefficient of determination R^2 of the regression model (the closer the R^2 value is to 1, the better the regression straight line fits the observed values) is 0.567. The Durbin-Waston residual serial correlation test results are close to the standard value of 2 and less than 2, indicating that there is a positive correlation and the regression model does not have serial auto-correlation.

Table 5-12 shows the regression coefficient table, which is an integration table combining the F-values of the ANOVA table and the p-values of the probability of significance. the F-values are 95.312, 204.838, 157.210, and the probability of significance are 0.000, all at the significance level of 0.05; therefore, the model independent variables are considered to have a linear relationship with the dependent variable. Tables 5-12 also reflect the degree of influence of the three dimensional public factors on the revenue growth rate, based on the t-statistic corresponding to a probability of compatibility of less than 0.05 it can be concluded that the model is

significant overall. Specifically, the D5: corporate structure and strategic status factor, D1: the talent system factor, D3: the supply and marketing relationship factor, the D2: financing environment factor and D4: the policy and legal environment factor have a significant impact on the business revenue growth rate and all have a positive relationship.

5.4 Results Analysis

This chapter uses factor analysis to extract five public factors, namely: enterprise structure and strategic status, talent system, supply and marketing relationship, financing environment and policy and legal environment, from three dimensions: internal, social relationship and external environment, which affect the development strategy of SMEs in Shenzhen. The results of the analysis showed that the factors of enterprise structure and strategy, talent system, supply and sales relationship, financing environment and policy and legal environment had a significant positive relationship on the development strategy of SMEs in Shenzhen.

(1) Influence of internal dimensional factors on the development strategy of SMEs in Shenzhen

According to the results of the regression analysis, it can be seen that at the internal level of SMEs in Shenzhen, enterprise structure and strategy status and talent system have a positive correlation on the development strategy of SMEs in Shenzhen.

Enterprise structure and strategy status is reflected by the combination of indicators such as specificity and assessment capability of strategy, matching and operating capacity with reality, integration of economic policy and market demand, satisfaction of

organizational structure to development strategy, convenience of organizational communication by enterprise hierarchy, and matching of enterprise structure to tasks, etc. A good strategy and organizational structure has a better guarantee and promotion effect on the development strategy of SMEs in Shenzhen region, which Matching with the actual situation.

The talent system is reflected by indicators such as staff job matching and development, talent acquisition and reserve, and human resource management system, which have a greater impact on the development strategy of SMEs in the Shenzhen region. Talent resources are the most valuable resources for the development of enterprises, and the construction of talent gradient is of great significance to the development strategy of enterprises.

(2) Impact of social relationship factor on the development strategy of SMEs in the Shenzhen region

In terms of the social relationship dimension of SMEs in Shenzhen, the supply and sales relationship factor has a positive correlation with the development strategy of SMEs in Shenzhen.

The supply and sales relationship factor is reflected by indicators such as supplier strength, supplier service quality, cooperative relationship with suppliers, stable customer base, contribution rate of stable customers, and input and output to new customers. A good supply and sales relationship has a greater supporting effect on the development strategy of SMEs in Shenzhen.

(3) Influence of external environment factors on the development strategies of SMEs in the Shenzhen region

In terms of the external environment of SMEs in Shenzhen, the financing environment factor and the policy and legal environment factor have a positive correlation with the development strategy of SMEs in Shenzhen.

The financing environment factor is reflected by indicators such as financing channels and ease of access, the soundness of Shenzhen's financial institutions and systems, and the cost of financing and repayment pressure. The soundness and completeness of the financing environment plays an important role in the development strategy of SMEs in Shenzhen.

The policy and legal environment is reflected by indicators such as the soundness of policies and laws and the supportiveness of fiscal, tax and industrial policies.

Under the current market economy, the policy and legal factors can influence the development strategy of SMEs in Shenzhen at a deep level, and play a certain role in determining and guiding the development strategy of SMEs in Shenzhen.

CHAPTER 6

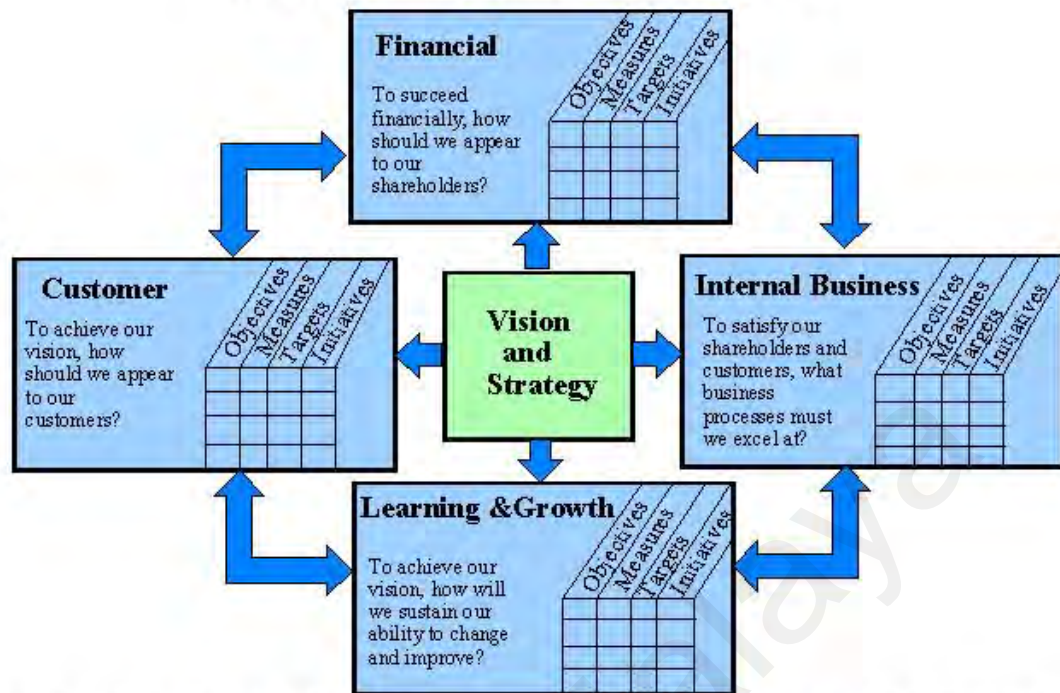
CASE STUDIES OF COMPANY M IN SHENZHEN, CHINA

6.1 Balanced Scorecard Strategy Implementation System Construction

"We can think of the balanced scorecard as a dial and indicator in the cockpit of an aircraft. In order to manoeuvre and fly the aircraft, the pilot needs to have detailed information about many aspects of the flight, such as: fuel, flight speed, altitude, direction, destination and other indicators that describe the current and future environment. Relying on just one instrument can be fatal. By the same token, the complexity of managing a business today requires managers to be able to look at several aspects of performance at once." (Robert S. Kaplan 1992) This graphic analogy opened the door to the Balanced Scorecard. Originally intended as a performance management tool, the Balanced Scorecard evolved over the next decade or so as Kaplan and Norton and other scholars delved into the theory and many innovative companies pushed forward with the practice, evolving into a strategy implementation tool that translates a company's strategy into actionable goals, metrics and target values.

In order to pursue profits, companies must focus on customers, satisfy their needs and improve the satisfaction of their customers; and to satisfy customers, they must strengthen themselves and improve the efficiency of their internal operations: and the prerequisite for improving the efficiency of their internal operations is the learning and innovation of the company and its employees. In other words, explaining the four factors that a company needs to satisfy in its development from four dimensions can promote the development of the company.

Balanced Scorecard Framework*



* Adapted from Kaplan & Norton, 1996. *The Balanced Scorecard*. Harvard Business School Press: 9. Original from HBR, Jan/Feb 1996, p. 76.

Figure 6.1 The four dimensions of the Balanced Scorecard

6.1.1 Principles for the Selection of Financial Indicators

The financial indicators of a company should start with the definition of the company's strategy. The definition of the company's strategy stems from a life cycle and SWOT analysis of the company and the value proposition provided for its target market. The senior management of the company should map out the path to success in achieving financial objectives based on cause and effect relationships. Kaplan and Norton argue that financial objectives and targets play a dual role, as they "define the financial performance that must be achieved to implement the company's strategy, and at the same time become the ultimate goal and indicator for all the other three dimensions of the balanced scorecard".

6.1.2 Principles for the Selection of Customer Dimension Indicators

In the customer dimension of the Balanced Scorecard, managers identify the competitive customers and market shares that the company will face, and measure the types of customers and segments that the operating unit will target and determine its performance indicators in the target market. Indicators should be based on those target customer segments where the operating unit is expected to grow rapidly and profitably.

6.1.3 Principles for the Selection of Internal Process-related Indicators

In terms of processes, senior managers have a number of indicators to choose from. If senior management assumes that the business is already meeting the basic needs and expectations of the target market, then the main objectives must be closely linked to the value proposition of the target market. However, if senior managers believe that key processes must be improved for the company to have a competitive advantage, then they need to set process objectives or metrics that balance meeting the basic needs of the target market with providing a differentiated value proposition to the target market.

6.1.4 Principles for Selecting Indicators for Learning and Growth

Learning and growth indicators are more abstract than other indicators. The indicators in this area reflect three main areas: core competencies, the ability to improve, access and use information, and the improvement of the company culture for strategy implementation.

6.2 M Company profile

Founded in 1994, Company M has grown over the past 10 years from a single sportswear product to a specialised sports goods company with a number of product lines including sportswear, sports shoes and sports equipment. At present, the company's product structure is becoming more and more complete, with over 4,000 shops worldwide and a marketing network covering China, it has become a leader in the national sporting goods industry. Sales have grown steadily and in 2000, M's sales exceeded 300 million yuan. In 2001, M achieved the number one overall market share in sports shoes for the first time in the year; by 2006, M had won this award for six consecutive years. 2004 saw M continue to lead the industry with record sales, and sprint towards its goal of becoming a top international brand. In 2005, the company paid a tax of RMB 210,029,000 and had a total of over 7,000 employees.

In terms of product development, "technology development is the lifeline of products". Taking the development and production of professional basketball shoes as an example, M has a number of patented technologies, ranging from the Bully I and II generations to the full range of CUBA professional sports products. Among them, the latest CUBA professional basketball shoes use the "magnetic core" technology, which has reached the latest international level, is the most eye-catching. "As the only equipment designated by the National University Basketball Association (CUBA), the CUBA professional basketball shoes were well received by the first athletes who tried them out. This shows that every new product from M is launched on the basis of thorough market research. The company has set up a technical research and development centre in Guangzhou, introduced international advanced development and management mechanisms, and

hired first-class designers, pattern makers and professional development and management personnel from home and abroad to strengthen the market research and design and development forces, in order to gradually improve the technological content and overall quality of our products and enhance the competitiveness of their brand.

In the construction of the marketing network: M has the strongest sales network in the sporting goods industry, with branches and retail outlets in every province and city in China, and nearly 4,000 shops and counters nationwide; it has international-level production lines and hundreds of supporting production enterprises, with nearly 10,000 employees serving the rapid development of M; it is the only company in the same industry with the "China Famous Trademark "Compared with foreign brands, M has an incomparable advantage, which is the dense nationwide sales network built up through trials and tribulations in the early stage of its establishment. This is the basis for M's survival. Even big brands like Adidas still need to spend huge sums of money every year to set up their networks in the Chinese market, and with the addition of tariffs and advertising, the cost of products remains high, whereas M does not need to invest more in this area.

In terms of branding and product promotion, the Sydney Olympics were a big hit for M, and the company became a nationally renowned brand. The success of this branding strategy immediately paid off for M: with the enhancement of the M brand, its market growth rate, overall share and market coverage jumped to number one in its industry in 2001. They used a famous Chinese table tennis team player as a spokesperson to create the right buzz in the right place at the right time, with twice the result with half the effort.

"M is the sole sponsor of professional events such as the China Men's Basketball League (CBA), the China Men's Volleyball League, the China Women's Volleyball League, the China Table Tennis Super League and the Ultimate Tournament. In 2000, with the wisdom and boldness of a pioneer, M started the China International Fashion Games (Extreme Sports) on its own, a pioneer in the Chinese sporting goods industry, promoting the exchange between M's brand was enriched with the cultural connotation of the brand. In the same year, the Group sponsored the Sydney Olympic Games, and in 2001, M actively participated in the Olympic bid year, sponsoring the sports delegations of Fujian, Chongqing, Heilongjiang and Hainan provinces, and participating in the sponsorship of the Chinese delegation to the World University Games and the Athens Olympic Games.

While practising its internal strengths, M Company has also been strengthening its cooperation and exchanges with international high-tech enterprises. On the one hand, they pay close attention to product quality and research and development capabilities, and comprehensively enhance the brand foundation of the M Company Group. In 1998, the National Centre for Footwear Standardisation recognised M's products as the only products to be supervised by the company, and in 1999, the company passed both the International Quality Assurance System and the Product Quality Assurance System. On the other hand, they have adopted more advanced international testing equipment and set strict internal control standards to make the product quality standards exceed national standards and approach international standards.

M Company's internationalisation strategy. "A soldier who does not want to be a general is not a good soldier", similarly, an enterprise that does not want to go international will

not have much future. It has always been M's pursuit to be an international brand, and M has started a series of search and preparation for this: firstly, to follow, innovate and challenge international brands. M knows that it is impossible to catch up with international brands overnight, but it can learn from their successes and shorten the development time. The international brands have a monopoly in the high-end market in China. M believes that local companies can challenge them on the basis of stabilising the second and third tier markets, and gradually share the high-end market strategically. The second is to bring in a large number of talents. The company's requirement for talents is that they must first accept M's culture and be familiar with M's business model, which allows them to enrich and innovate, but does not allow them to come to another set. Thirdly, multinational cooperation ensures leading R&D. M Company has set up an R&D centre in Guangzhou and adopts a multinational cooperation approach to ensure international standards in R&D work. In order to improve the grade, quality and technological content of M's sports shoes, they have reached cooperation intentions with world-famous sports shoes professional enterprises to jointly produce, research and develop innovative products. Fourthly, the senior management of the company has ensured that they are closely at the forefront of the market, the industry and the international frontier through study tours and further training. At the same time, limited international operations are carried out to accumulate experience for the future towards the international market, and also to facilitate the feeling of international trends. M is moving quickly and steadily along the path of internationalisation of its brand. This thesis focuses on the analysis of the implementation of M's strategy in 2006.

6.3 Background of the Application of the Balanced Scorecard Strategy Management tool in Company M

In the 1990s, the sports footwear industry had always been a seller's market, and Company M had almost constant orders, and as long as it focused on product quality, all the products it produced could be digested in the market. At that time, Company M was a production-oriented company. As the market changed from a seller's market to a buyer's market, the company's production-centred development strategy no longer applied and had to be changed. As a result, the company proposed a new development strategy: a strategy of fine penetration of the target market and a strategy of differentiation. However, the implementation of the strategy encountered many problems, mainly in the form of.

6.3.1 Optimizing the Strategic System and Corporate Structure

Apart from a few senior leaders in the company, most middle managers and employees are not sure what the company's strategy is. Even those department managers who have some understanding of the company's strategy, many of them fail to understand the importance of the strategy for the company. Even some senior leaders, who do not know the content of the company's strategy and the importance of the strategy, lack a holistic and systematic understanding of the implementation process of the strategy.

6.3.2 Lack of Implementation Management Team and Implementation Plan

The company has not formed a senior management team that considers the achievement

of the company's strategic objectives as its top priority. There is no implementation plan for the company's strategy. There is no timetable.

6.3.3 Lack of Resource Support and Rewards and Sanctions

There is no linkage between strategy and organizational resources, resulting in a disconnect between the organization's resource allocation and the main points of strategy. There is no link between the company's strategic performance and the remuneration of top management, resulting in insufficient incentives for the implementation of the company's top strategy.

6.3.4 Lack of Feedback on the Implementation of Strategy

The previous management system could only provide short-term feedback on performance, much of which was limited to the financial situation, such as actual monthly or quarterly expenditure compared to budget. There was no time to review strategy or make strategic decisions at regular company meetings, which made it difficult to get feedback on strategy implementation and to test and understand how it was being implemented.

The company's problems with strategy implementation have made the top management eager to introduce a management tool for effective strategy management. It was in this context that the Balanced Scorecard was introduced to the company.

6.4 Steps of the Balanced Scorecard Strategy Management tool in Company M

In order to ensure that the implementation of the Balanced Scorecard was thorough within the company, an external consultant was invited to make a preliminary judgement on human resources and external processes, followed by research, top-level meetings and intensive training. In this way, every member of the organization was held to a high standard, so that everyone was convinced of the company's confidence in implementing the Balanced Scorecard, the benefits of the Balanced Scorecard were effectively communicated, and the project was strongly promoted so that the Balanced Scorecard could be applied thoroughly.

The steps for implementing the Balanced Scorecard in Company M are.

(1) Establish a balanced scorecard project implementation team. Clarify the responsibilities and division of labour of the project team and identify the project leader.

The project leader must be a senior manager who can maintain regular communication with other senior managers to ensure that other senior managers continue to buy into and support the balanced scorecard project, and who can provide strategic context and methodology to guide the work of the project team. The company's General Manager of Strategic Development is primarily responsible for this task.

(2) Information gathering and analysis

The Balanced Scorecard team spent two months gathering information and analysing it. The main sources of information were interviews and meetings at the grassroots level, internal company information, questionnaires, field surveys, etc.

(3) Learning about the Balanced Scorecard theory

All members of the company were motivated to learn the theoretical knowledge of the

balanced scorecard, to master the principles and methodology of the balanced scorecard as a strategic management tool, and to understand how the balanced scorecard theory can be combined with the company's business practices and how it can be indicatively applied to improve the company's operational efficiency. The company's main theoretical studies include: introduction to the project background, introduction to the Balanced Scorecard, lessons learned from establishing and using the Balanced Scorecard, company background, and aligning the Balanced Scorecard with strategy.

(4) Conducting a strategic analysis

Strategic analysis is the basis for strategy formulation. Strategic analysis is the analysis of the internal and external environment of a company. In order to survive, a company faces a variety of internal and external challenges, especially the rapidly changing external business environment, increasingly fierce competition, and increasing customer expectations. Therefore, in order to survive in a challenging and dynamic environment, a comprehensive analysis of all internal and external factors is required to develop a clear company strategy, including analysis, discussion and consensus on the company's life cycle, SWOT analysis and value proposition for the target market. Such an analysis process is very beneficial to the long-term development of the company and allows for a deeper understanding of the business.

(5) Formulating the company's strategy

Based on the results of the above analysis, the company's leadership team defines the company's vision, mission and strategy. This activity is carried out in the form of a workshop. One of the key aspects of a company's success lies in developing a winning value proposition for key customers and target markets. Based on the company's value

proposition a strategic focus is determined 1-3 years down the line.

(6) Translation into a strategy map

Once the company's strategy has been developed it should be translated into a strategy map that unfolds on four levels: financial, customer, process, learning and growth. The strategy map can reflect senior leadership's assumptions about cause and effect relationships in the elements of the company's strategy, reveal flaws in strategy formulation, and identify strategic themes and drivers of the business and intangibles.

(7) Identify and break down into assessment indicators

Based on the objectives identified in the strategy map, they are further decomposed and quantified, specific indicators, target values and action programmes are developed, tasks for each action programme are identified and each task is tracked to ensure implementation and execution. The indicators at the company level are broken down to the departmental level, and a balanced scorecard system is established at each level, and the needs of internal customers are included to establish horizontal links.

(9) Links to human resource management, performance management and overall budget management

The development of a balanced scorecard should be linked to human resource management, focusing not only on employees' own balanced scorecard objectives, but also on key competencies related to strategy execution, such as teamwork and communication skills. The choice of which competencies are core to the company should be based on the company's strategy, core values and culture, and can be specific to strategic management skills, problem-solving skills, team leadership and mentoring skills.

The balanced scorecard and variable pay are linked to motivate all employees to work together to achieve the company's strategic goals. Variable pay takes into account the relative importance and priority of objectives from all perspectives and at all levels, with the aim of giving all managers and employees a better grasp of their priorities.

The Balanced Scorecard is also linked to Total Budget Management, which is linked to strategy and turns the budget into a dynamic, constantly adjusting process, making the work of each individual and each day in the business clearer and more effective, with results that are easier to assess and more supportive of strategy. In the process of implementing strategy, total budgeting combines long-term strategic planning with annual operations, so that the annual operating budget is aligned with the company's strategic objectives. Total budget management as a completely dynamic management tool to grasp changes in the situation at any time, follow up and adjust so that our actions focus on the strategy and promote the strategy as a continuous process. Each company's comprehensive budget to develop the project as the basic assessment of the preparation unit, the Group's budget from the bottom up by each project, each company's budget summary to determine. The Group's Board of Directors determines and adjusts the annual budget plan.

(10) Reporting, analysis and adjustment

Each level regularly reports and analyses the implementation of the strategy, makes strategic adjustments based on the implementation, and cycles the above process. The company tracks and adjusts some targets, indicators and target values at any time based on regular tracking of the implementation of targets, changes in the environment, etc. For Company M, the company's balanced scorecard system is currently in its infancy,

but as the environment changes, the company is ready to make adjustments to the balanced score to ensure the successful implementation of the strategy.

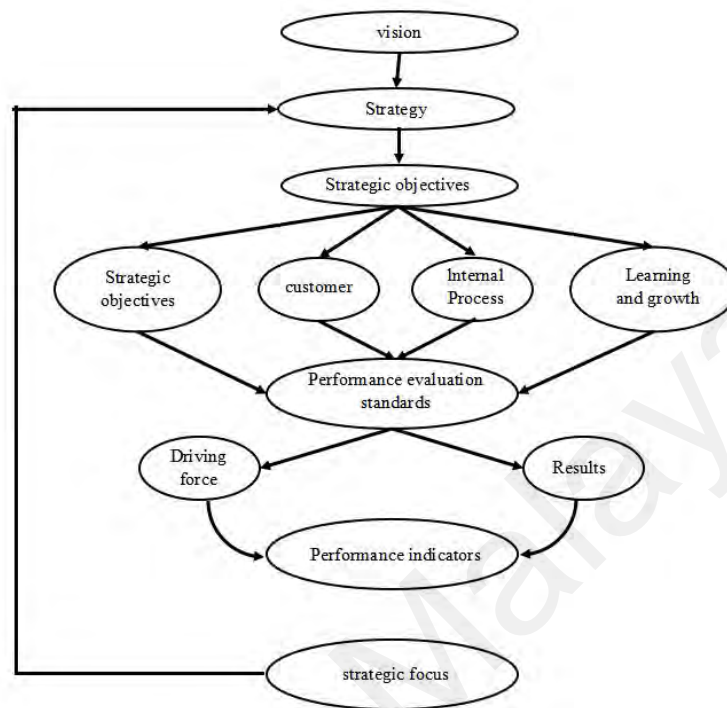


Figure 6.2 Company M's balanced scorecard strategic management model

6.5 The Role of Implementing the Balanced Scorecard Strategy in Company M

The application of the Balanced Scorecard in the strategic management of Company M has strongly contributed to the achievement of the company's strategic objectives and has become the most powerful management tool for the implementation of corporate strategy, as follows.

6.5.1 Makes the Strategic Management System More Systematic and Scientific

In M's strategy-focused management system, the strategy is first described through a strategy map, then measured according to the indicators of the war map, and the strategic themes that play an important role in the strategy are identified, and then these

indicators are linked to the company's resources and managed with the corresponding management methods, so that the balanced scorecard forms a systematic strategy implementation management system, rather than being limited to a The Balanced Scorecard forms a systematic management system for strategy implementation, rather than being limited to one aspect of the company, such as performance management. The Balanced Scorecard provides a systematic approach to the design of the implementation plan and the evaluation of the results of the company's business strategy.

The balanced scorecard is used throughout the implementation of strategic management, and the company has designed a set of interlinked performance indicators that reflect the company's long-term strategic objectives and the way in which they are achieved, rather than a simple combination of financial and non-financial indicators, closely based on the company's vision and mission. From the design and development of the company's balanced scorecard, then the integration of the balanced scorecard into the company's management system, through to the final strategic feedback, the process of implementing the strategy is refined to form a more standardized system of applying the balanced scorecard to strategic management. The combination of the Balanced Scorecard and the Critical Success Factor approach allows for more effective implementation of corporate strategy, as it is the only way to truly identify the focus of strategy implementation within the four levels of the company. In addition, the combination of core competency theory and the balanced scorecard effectively enables the balanced scorecard to function as a strategy builder, strategy driver and feedback, thus more effectively helping companies to gain competitive advantage through strategy execution.

6.5.2 Reflects the Company's Situation in a Comprehensive Manner

Through the use of the balanced scorecard in strategic management, it can be seen that the balance of the balanced scorecard can reflect the company's situation in a comprehensive manner. It is mainly reflected in the financial and non-financial, long-term and short-term objectives, external environment and internal conditions, structure and process, subjective and objective aspects, reflecting the company's comprehensive business situation, which is conducive to the long-term development of the company and the improvement of the overall management level.

Many companies already use a variety of operational, tangible indicators to evaluate local activities. However, these local evaluation indicators are generated from the bottom up and come from a specific process. In contrast, Balanced Scorecard evaluation indicators are derived from the strategic objectives and competitive needs of the organization, and secondly, while traditional financial indicators can only report on what happened in the previous period and cannot tell managers how to improve performance in the next period, the Balanced Scorecard can act as the cornerstone of a company's current and future success. Moreover, unlike traditional indicators, the information derived from the four dimensions allows for a balance between externally assessed indicators such as operating income and internally assessed indicators such as new product development.

6.5.3 Help Employees Understand the Company's Objectives

The overall company vision is very important throughout the strategic management

process, being the soul of the company and the purpose of its existence. It provides the company with long-term and short-term strategic objectives, and it provides a guide for employees at all levels to act. When departments and employees act, they have to consider whether they are in conflict with the company's overall long-term and short-term goals in order to maintain consistency with the company's development direction. The Balanced Scorecard is an organic combination of objectives, targets and even action plans for the four dimensions based on a common understanding of the overall development of the company, translating strategy into action and forming a competitive advantage for the company. Whereas past performance measurement systems did not reflect how much employee performance actually related to the overall strategic goals of the company, the Balanced Scorecard does this. Previously, strategy was considered to be a matter for top management only. In fact, the contribution of each individual is important in order to put strategy into action. Therefore, vision and strategy must be communicated throughout the company. All employees are able to comment on the vision and strategy and provide valuable feedback to the executive. This feedback can be used to reconsider the strategy.

6.5.4 Enables Evaluation and Control to be Combined

The performance evaluation in this case is an evaluation of the implementation of the strategy, but not only that, the system also acts as a control, emphasizing the implementation of the strategy throughout its construction, modification and use. Thresholds are set for individual indicators, dimensional indicators and overall score targets (e.g. zero points for a complaint rate greater than 4 per 1,000), and if the

threshold is exceeded, action must be taken. In this way the implementation of the strategy can be observed in a timely and clear manner, serving not only as an evaluation but also as a monitoring function. In the past, performance evaluation was purely an after-the-fact control tool, but in this case, with the help of a sophisticated management information system, data on key indicators are available on a monthly or quarterly basis, thus providing a large degree of ex-post control over the implementation of the strategy. If there is a problem at any point in the process, managers can be alerted to it and action can be taken, which greatly facilitates the implementation of the strategy, and this is where the advantages of the balanced scorecard as a strategy implementation tool come into play.

6.5.5 Provides the Basis for Strategy Adjustment

The strategy is implemented through the balanced scorecard. In the process of strategy realisation, changes in some situations and the degree of implementation are fed back through the balanced scorecard, and the management of the enterprise makes adjustments to the strategy according to the reflected situation, in order to adapt to the changes in the environment and the adjustments made to the strategy at the beginning, and then the strategy is implemented through the balanced scorecard. When developing a new strategy, the enterprise needs to consider the situation of the previous strategy implementation, and the feedback from the previous stage of strategy implementation through the balanced scorecard provides the basis for the development of the new strategy.

6.5.6 Achieve Long-term Development of the Company

This is reflected, firstly, in the fact that the balanced scorecard is an interactive system, from strategy to implementation, and the implementation of strategy is fed back to the strategy formulation level; secondly, in the fact that it is a dynamic evaluation system in time, with weekly, monthly, quarterly and annual evaluation of strategy implementation, making strategy a continuous process through evaluation; and finally, in the fact that it is based on the value creation process. Finally it is reflected in a strategic theme based on the value creation process, which articulates the dynamic nature of the strategy.

The balanced scorecard breaks down the company's strategy at four levels: financial, customer, internal processes to learning and growth, from financial results to the company's drivers, especially the description of intangible asset drivers in the strategy map, which allows the company's management to know the inner dynamics of the company's development. The drivers reflect the backbone of the company's development and are the core competencies of the company, which reflect the company's ability to develop sustainably. It overcomes the short-term behaviour of the financial valuation method. The financial assessment methodology is one of the cornerstones of the balanced scorecard, but it only describes the past; it is not sufficient to drive future performance. Using short-term financial assessment alone runs the risk of over-investing in solving short-term problems and under-investing in long-term value. For example, short-term results that were considered correct and achieved in the past may have been based on cutting back on R&D, human resource development and internal process improvement, factors that will only become apparent in the longer run.

6.6 Problems of the Implementation of the Balanced Scorecard Strategy in M

6.6.1 Problems with the Implementation of the Balanced Scorecard Strategy

The balanced scorecard approach not only emphasizes the balance between short-term and long-term objectives, internal and external factors, but also the convergence of results, making it a very complex system. Its implementation is bound to encounter difficulties.

6.6.1.1 Aspects of the creation and quantification of indicators

While the financial indicators are relatively easy to create and quantify, the other three areas require careful consideration by the management of the company in the light of its strategy and the main business and external environment in which it operates. Some of the indicators listed are not easy to collect, which requires the company to summarize in a continuous exploration; some important indicators are difficult to quantify, such as the indicators of employee motivation, which require a large amount of information to be collected and fully processed before they have practical value, which places high demands on the company's information transfer and feedback system.

6.6.1.2 Determination of causality

The balanced scorecard is not a simple aggregation of indicators. The balanced scorecard approach has to determine the relationship between results and convergent factors, which in most cases are not obvious or easy to quantify. This is another difficulty that companies encounter when implementing the balanced scorecard approach. It takes a great deal of effort to find and clarify the relationship between performance results and the drivers.

6.6.1.3 Cost aspects of implementation

The balanced scorecard requires companies to consider the implementation of strategic objectives in four areas: finance, customers, internal business processes, learning and growth, and to set detailed and clear objectives and targets for each area. It requires the participation of all members, so that each department and each individual has its own balanced scorecard, at a greater cost to the company. If the company's original management base is relatively weak, and financial reports etc. are whitewashed, there is little need to adopt a balanced scorecard. Some companies make the creation and quantification of indicators a mere formality, relying only on subjective assumptions to list all indicators, which are bound to be poorly quantified. As a result, a lot of administrative resources and overheads are expended without any gain. Some domestic enterprises are relatively small and the benefits of using a balanced scorecard are less than the costs of using it.

6.6.1.4 The impact of organizational change in terms of resource consumption

When an organization's strategy or structure changes, the balanced scorecard should be realigned with it. The downside follows, as keeping the balanced scorecard up to date and effective at all times is time and resource intensive. This is something that many companies in the growth phase are not able to do.

6.6.1.5 The vulnerability of strategies to leakage

The Balanced Scorecard is highly sensitive and transparent, allowing the observer to see the business development strategy behind the indicators. As a company survives in a competitive environment, leakage of strategy can easily cause other companies in the same industry to follow the strategy or take corresponding countermeasures against the

company's strategy, and the company risks being prevented from implementing the strategy.

6.6.2 Countermeasures for Implementing the Balanced Scorecard Strategy

6.6.2.1 Requirements for improving the quality of enterprise management information

Compared with European and American enterprises, the fineness and quality of information required by Chinese enterprises is relatively low, which will largely affect the effectiveness of the application of the balanced scorecard. Because the degree of fineness and quality of information required is not enough, it will affect the effectiveness of the implementation of the balanced scorecard, such as leading to the design and implementation of assessment indicators are too rough, or not true and accurate, can not effectively measure the business performance of the enterprise. The creation of metrics requires an experienced group of senior management and key executives in the organization. Without a deep understanding of the business and extensive experience, it is impossible to capture the key indicators and give an accurate assessment of their importance. Data values for quantitative indicators are collected according to the interpretation of the indicator and the company's specific situation, and the collection of data requires the cooperation of different departments. There are many suppliers of software and solutions for the Balanced Scorecard, some of which offer planning, data collation and reporting capabilities to help collect and analyse information, but such systems are usually aimed at very large companies and are predictably expensive. Companies can consider setting up their own systems to suit their needs. In response to the ambiguity of the indicators related to the balanced

scorecard, high-level seminars should be held regularly to assign different management weights to different classifications and constantly revise the indicators to make them more conducive to the realization of the company's strategy.

6.6.2.2 Use strategy maps to describe cause and effect relationships more clearly

To establish cause and effect relationships, it is best to identify the core values that the company needs to achieve based on its overall objectives, vision and mission. Based on the core values first identify the core outcome indicators and then the combination of drivers of performance improvement that lead to these indicators. It is important to understand and judge the selection of indicators based on the subtle interrelationships within the business. On the one hand managers need to have a clear grasp of the essence and main aspects of the contradictions in the actual situation of the management of their company and, on the other hand, of the local optimums that may be expected to be achieved by sub-optimal means. When designing indicators, they are always focused on the core values of the company. In the design of indicators at all levels, it is important to stretch away from the core values and to choose both short-term and long-term objectives to reduce the short-term behaviour of the enterprise. Concreting the strategy can be used. The use of tools such as strategy maps and strategic analysis tables can link a company's strategy to the objectives of its operational operations, making it easier to analyse the cause and effect relationships.

6.6.2.3 Getting the relationship between input costs and benefits when implementing the balanced scorecard right

The four dimensions of the Balanced Scorecard are connected to each other. To improve the financial side you first need to improve the other three, and to improve you need to

have inputs, so the first thing that emerges from the implementation of the Balanced Scorecard is the costs rather than the benefits. To make matters worse, the benefits often lag behind by a significant amount of time, leaving a time lag between inputs and outputs, costs and benefits, which could be 6 months, or 12 months, or longer. As a result, there is often a situation where customer satisfaction increases, employee satisfaction increases, and efficiency increases, but financial indicators decline. The key issue is that when implementing the Balanced Scorecard it must be clear that the significant investment made in the improvement of non-financial indicators can be recovered from the financial indicators within a foreseeable period of time, so do not lose confidence just because you have not had any results after 6 months of implementation. The implementation of the balanced scorecard must be done from top to bottom. This is because the transition to a strategic core organization is bound to undergo a dramatic change in corporate culture. That's why stable leadership and the active involvement and support of the leadership are so important. As long as the leadership has the commitment and confidence to implement the balanced scorecard, the corresponding costs can still be arranged. Each company should consider whether the implementation of the balanced scorecard is worth the cost in its own context. In addition, the implementation of the balanced scorecard should be combined with a reward system. Although the responsibilities of each employee in a company are different, the use of a balanced scorecard will make the strategic direction of the company clear to everyone, which will help the group to work together and will also make everyone's work more directional, thus enhancing everyone's ability and efficiency. In order to make full use of the Balanced Scorecard, it needs to be

implemented at the level of key business units and individuals, so that the focus at each level is on the performance of their respective jobs. This requires linking the results of the implementation of the balanced scorecard to the reward system and paying attention to the rewards and penalties for employees.

6.6.2.4 Building a corporate culture and constructing internal synergies

It is important to turn strategic thinking into a habit, a culture that is accepted by the whole enterprise and consciously implemented. Companies need to constantly analyse feedback in order to constantly analyse strategies and measure the correctness of these indicators. In order to evaluate the organization's strategy, the business should have good internal communication and help departments and individuals to understand and create new ways to support the organization's strategy, while this new way of supporting the organization's strategy supports this shift to some extent. Secondly, use the balanced scorecard to remove functional barriers. A major barrier to strategy implementation is the "organizational barriers" created by the misalignment of objectives between different functions. The Balanced Scorecard can be very helpful in overcoming these barriers. In order to achieve this, management must consider how to remove departmental barriers when designing the balanced scorecard at all levels. When the Balanced Scorecard was not implemented, many managers went their own way, not caring about the goals of other departments and thinking "it's not my business". However, in the implementation of the Balanced Scorecard, it is important that these managers work together across functional barriers, as they include the needs and expectations of other departments in some of their own goal setting, as well as some common goals. Together they must analyse and improve the business processes of their

departments in order to achieve the overall company objectives. Use strategy maps and balanced scorecards to achieve synergy in organizational structures. Having made the shift to becoming a strategy-centrism organization, there is no need to make other adjustments to the corporate structure, which is used all the time and not only does not consume resources, but also saves them. The internal drain caused by relationships within organizations where functional barriers previously existed is actually greater.

6.6.2.5 Increased awareness and education about the Balanced Scorecard

Due to the extreme visibility and transparency of the Balanced Scorecard, line managers can no longer make internal trade-offs based on their own experience. Initially, they will see the increased visibility of departmental performance as the latest attempt by senior managers, such as directors, to interfere with their internal business processes and will feel uneasy about gathering information about their department, especially information that reveals problems and weakens their leadership position. This calls for adequate awareness and education of all those involved, so that the "small department" and "small authority" mentality can be discarded and a unified understanding can be developed and integrated into the company's balanced scorecard system. At the same time, attention should be paid to the issue of external confidentiality. When releasing information about the balanced scorecard, it is important to pay attention to the issue of confidentiality. Companies can publish general results and performance driver indicators, and some indicator values can appear in the form of indices, while information about specific customers and competitors should be strictly controlled.

6.6.3 Some Insights from the Implementation of the Balanced Scorecard Strategy

The experience of implementing the Balanced Scorecard in Company M can provide lessons for many SMEs, and we can draw the following insights from its application process.

6.6.3.1 The right company to use is one that is goal- and strategy-oriented

Once we have set a goal for the long-term development of the company, the role of strategy is to provide ideas for solving the problem of "how to achieve this goal". The success of the Balanced Scorecard is that it puts strategy at the heart of management, so to apply the Balanced Scorecard a company must be guided by strategy. Even if a company has not yet developed an effective strategy, the introduction of the Balanced Scorecard can help the company to re-conceptualize and develop its strategy.

6.6.3.2 Enterprises have a consultative or democratic culture

As Chinese enterprises have a heavy hierarchical concept and a less open culture, communication between superiors and subordinates and between employees cannot be open, and managers are afraid to face up to problems and offend people. In performance management, for employee performance appraisals, especially for non-financial indicators, the data reported by managers is not true and is all about top scores (completed challenge values), resulting in employee performance appraisals being partially formal. The Balanced Scorecard must be run on a democratic management style corporate platform so that employees can fully participate in the development and implementation of corporate strategy.

6.6.3.3 To get the support of the top management

As the implementation of the balanced scorecard is also a change management process,

there must be sufficient communication and education, interactive discussions and every employee must recognize and actively support the change. It is not possible to implement it successfully if it is led by HR or other departments alone; it must be led by the company's senior management personally, with full support from senior management in terms of resources. Firstly, because most middle managers lack a deep understanding of the business organization's strategy, only the senior management team can better describe the strategy being implemented. Secondly, senior management has the decision-making power to make strategic choices. Strategy is about weighing up the trade-offs among the actions available, deciding which opportunities to seize and, more importantly, which ones to pass up. Finally, while understanding strategy is a must, it is the buy-in of senior management to the balanced scorecard project that really determines the success of the balanced scorecard project.

6.6.3.4 To focus on cost-benefit considerations

Some companies make the creation and quantification of indicators a mere formality. While financial indicators are relatively easy to create and quantify, the other three areas require careful consideration by management in the light of the company's strategy and the main business and external environment in which it operates. If all the indicators are listed subjectively, they will not be quantified well. As a result, a lot of administrative resources and overheads are expended without any benefit. Indicators such as employee motivation require a large amount of information to be collected and fully processed before they are of any practical value to the company's performance management. Some domestic companies are relatively small and the benefits of using a balanced scorecard are less than the costs of using it.

6.6.3.5 To establish an internal coordination system within the enterprise

Within many enterprises, managers are only busy with matters within their own functions and have no time to think about the overall strategic design of the company; they are only concerned with the operation of their own departments. Financial managers are only concerned with accounting information systems, production managers are only concerned with systems and equipment, personnel managers are only concerned with payroll and staff training, and sales managers are only concerned with customers. Sometimes the organization's information or resources need to be passed between departments and barriers between departments can hinder this transfer. In order to facilitate the formation, implementation and adjustment of corporate strategy and to accommodate the application of the balanced scorecard, a coordinated organizational system within the company is required.

In today's fiercely competitive globalized economy, management competition has become a key factor in determining the success or failure of a company. No change can be achieved in one go, but in the process of practice, we must continue to explore and explore, so that we can ensure the successful implementation of the balanced scorecard to the greatest extent possible. The following issues need to be noted in the implementation of the Balanced Scorecard in China.

6.6.3.6 Not to copy and apply, but to establish our own balanced scorecard

We have to introduce the Balanced Scorecard in a gradual manner. First of all, we have to avoid blindly copying the models of foreign enterprises. Different companies have different characteristics, face different competitive environments and therefore need different strategies and thus set different objectives. Secondly, the whole

implementation process cannot be smooth and there will be many twists and turns, so it is important to not just be enthusiastic, but to stick to a strategy-oriented approach and improve it gradually. It is also worth mentioning that the Balanced Scorecard as a management tool has to fit in with the company's own values and philosophy in order to be embedded smoothly. Once again, the application of the Balanced Scorecard in a company should have a corresponding management system. The organizational structure of the company should be designed in such a way that the functions of the management of the balanced scorecard are taken into account and a single department is responsible for its continuous improvement, enrichment and development according to the application of the company.

6.6.3.7 To do a good job of managing the foundation of the company

Modern corporate management is based on measuring and analyzing performance performance. However, the imperfection of information management and information infrastructure in many domestic companies has led to difficulties in implementing the balanced scorecard. Although the management has realized the importance of information and has paid sufficient attention to it, in the process of implementation, the information infrastructure has been constrained by departments and it is difficult to share information between departments, which hinders the smooth implementation of the balanced scorecard. Therefore, it is important to improve the information management situation and lay a good foundation. The balanced scorecard is a strategic management tool. Do not think that everything is fine after applying the balanced scorecard and that any problems of the enterprise can be solved. The Balanced Scorecard is not a panacea and needs to be supported by appropriate management

methods and management tools at each specific level, i.e. at the tactical level. The Balanced Scorecard provides managers with a basis for which components of the business should be strengthened. Some companies do not achieve good results with the Balanced Scorecard, mainly because the tactical level is not done properly, not because of the Balanced Scorecard itself. The internal and external environment has changed, and if the company's resources cannot meet these changes, the company's strategy should be adjusted. If the company's resources are able to meet these changes, the company's strategic objectives will not be adjusted and the overall annual objectives of the strategy will remain unchanged, but the monthly objectives and corresponding indicator values should be adjusted.

6.6.3.8 To use the power of management consulting companies

As a new management tool, the correct implementation of the balanced scorecard involves all aspects of the company, such as the improvement of basic management, the cohesion of the corporate culture, the adjustment of the organization, the reorganization of business processes, the reform of the remuneration system, and so on. Any of these tasks requires not only a lot of human and material resources, but also an open mind and innovative thinking. Due to the long implementation period of the Balanced Scorecard, it is difficult to find time to design and implement the Balanced Scorecard on the premise of maintaining the normal operation of the company; moreover, some enterprises, especially small and medium-sized enterprises, have a weak management foundation and often the senior management has the desire to introduce new management concepts, but is limited by their own conditions. Therefore, it is necessary to use professional management consulting organizations.

6.6.3.9 To improve the management level of managers and employee participation

If the enterprise does not set the right direction for development, then having more motivation will not make the enterprise reach the desired destination, but instead make the gap between the enterprise and the goal bigger and bigger. This big problem of corporate direction is controlled by the top management of the company, so it is important to improve the management level and skills of managers, to train them at a high level and to bring in high-level management personnel. Although the balanced scorecard is established under the leadership of a balanced scorecard implementation team headed by the company manager and staffed by department managers, the participation of employees, i.e. internal communication, is essential. Therefore, it enables employees to make it an important task as well and facilitates the integration of their personal goals with corporate goals and strategies.

CHAPTER 7

SUGGESTED COUNTERMEASURES TO OPTIMALLY ENHANCE THE STRATEGIC MANAGEMENT OF SMES IN THE SHENZHEN REGION

7.1 Strengthening the Internal Dimensional Management of SMEs

7.1.1 Optimize the Strategic System and Enterprise Structure

(1) Improve the basis for the implementation of enterprise development strategy in the Shenzhen region

The development of SMEs in the Shenzhen region needs the support of strategy, the implementation and implementation of strategy requires certain basic conditions, improve the basis for the implementation of strategic management of SMEs in the Shenzhen region is the premise of the implementation of strategic development of SMEs in the Shenzhen region, the development of SMEs in Shenzhen depends on the overall infrastructure environment of Shenzhen. Therefore, the Shenzhen region should be based on the goal of strategic development, develop industrial clusters, strengthen the construction of enterprise parks, allow a large number of enterprises to gather in specific areas, and through the establishment of industrial parks, form a mode of division of labour and collaboration between enterprises that supply and export to each other, enhance the proximity between enterprises, allow enterprises to share the division of labour and collaboration between enterprises, reduce the transportation costs arising from frequent transactions between enterprises, and allow enterprises to improve the basic conditions for the implementation of strategic development of enterprises, forming a pattern of mutual improvement, mutual promotion and common development between

enterprises and enterprises. Secondly, the government should strengthen the construction of infrastructure in the Shenzhen region, improve the road transport system in the Shenzhen region, introduce corresponding policies to support the strategic development of SMEs in the Shenzhen region, and optimise the external environment for the strategic development of SMEs in Shenzhen.

(2) Overall planning of enterprise development strategies

In the current context, the development strategy of SMEs in the Shenzhen region should strive to enhance the development of enterprises in the primary industry, strengthen the market competitiveness of the secondary industry and revitalize the sustainable development of the tertiary industry, take the new road of industrialization, build a carrier with industrial parks as the theme, give full play to the location advantages and special industries that the Shenzhen region prominently possesses, and optimize the strategic vision of SMEs in the Shenzhen region. Relying on the leading enterprises in the territory, we will promote the SMEs in the Shenzhen region to take the lead in science and technology and strengthen the guiding role of strategic planning on the development of enterprises: to take the market as the guide and give full play to the pulling role of the market on the SMEs in the Shenzhen region; to grasp information accurately and make full use of the driving role of information technology on the SMEs in Shenzhen ; to be driven by urbanization and intensification and promote the development of SMEs in Shenzhen based on urbanization and intensification development patterns optimize and upgrade the development of SMEs in Shenzhen. SMEs in Shenzhen should focus on brand building, give full play to the brand-driven role and the leading enterprises in the country, comprehensively enhance the strategic

overall planning of SMEs in Shenzhen for the development of special industries, and aim to build and cultivate SME clusters with obvious industrial characteristics, optimized enterprise structure, complete enterprise organization system and strong competitiveness.

(3) Enhancing the strategic management capability of enterprises

At the beginning of their establishment, SMEs in the Shenzhen region had imperfect systems of operation and management due to some conditions of their own. Under the current economic development, the growth and development of Shenzhen SMEs does not only depend on market demand, but also on the strategic management capability and innovation capability of the enterprises, which restrict their development and progress. It is urgent to strengthen the management of enterprises, improve their strategic management capabilities and innovate their management systems. With the growth of enterprises and the changing environment in which they operate, SMEs in Shenzhen need to improve their management system, standardize their governance mechanism and improve their own management level on the basis of their own management experience, which is the only way to achieve long-term and healthy growth of SMEs in Shenzhen. In terms of enterprise development strategy, SMEs are generally made by senior managers with their own vision and ability to make decisions, which requires managers to have extraordinary awareness, unique enterprise strategic development insights. Therefore, SMEs in Shenzhen should strengthen the cultivation of strategic vision and strategic thinking of managers, improve their management level and strategic strategy level, and then enhance the strategic management ability of enterprises and promote the strategic development of enterprises.

(4) Optimizing the organizational structure of enterprises

The design of the organizational structure of SMEs in the Shenzhen region should first be based on the core business that the enterprises themselves operate. Any enterprise has its own core business processes, and the design of the enterprise organization structure should firstly ensure the fluency of the enterprise's business operations, with this as the focus, and then combine the concept of optimization and integration of enterprise resources, integrate all factors of enterprise people, finance and materials, and fully consider the functional elements of planning, coordination, supervision and control to design the organization. Secondly, when designing the organization of SMEs in Shenzhen, they should follow the principle of setting up posts according to the business, not according to the person, and the posts should not only be set up according to the main business of the enterprise, but also combined with the development strategy of the enterprise. Communication between levels, as far as possible to shorten the distance between the upper and lower levels of business communication

7.1.2 Optimize the Talent Guarantee Mechanism of the Development Strategy

(1) Establish a multi-level talent introduction mechanism

Talent is the most dynamic core element for enterprises to thrive in the competitive market environment. The strategic development of SMEs in Shenzhen is inseparable from the introduction of talents, and the introduction of high quality talents is the primary issue for the strategic development of SMEs in Shenzhen. Therefore, the Shenzhen region should establish a multi-level talent introduction mechanism, firstly, to improve the corresponding treatment for the introduction of talents, such as salary,

position, life, etc., to give attractive chips to the talents; secondly, in the method of talent introduction, you can introduce talents through talent exchange, university recruitment, talent referral, media publicity, visits and other forms of multi-level methods; thirdly, the introduction of talent should be unconventional, the source of talent can be from large enterprises of skilled technology and administrators, but also from the government, scientific research units, universities in-service or retired personnel, or difficult to recruit, but the urgent need of the enterprise talent. In short, the strategic development of SMEs in Shenzhen needs the support of talents, and SMEs in Shenzhen should establish a mechanism for the introduction of talents at different levels through different channels and in different forms in order to inject vitality into the strategic development of SMEs in Shenzhen.

(2) Establish a diversified talent training mechanism

The quality of employees in SMEs is low, therefore, the training of talents in SMEs is of great significance to the strategic development of SMEs. On the basis of vigorously introducing talents, SMEs in Shenzhen should also create a talent training and regeneration mechanism suitable for their own employees, provide regular training for their employees, and provide them with the space for self-development and continuous learning through training. Regular training for employees in SMEs in Shenzhen is also a form of expression of the relationship between enterprises and the growth of their employees, i.e. it is conducive to enhancing employees' identification with the enterprise and their sense of belonging, and is also conducive to improving the level of their operations, giving full play to their talents and meeting the requirements of their work in a way that taps into their talents. By creating a fair, open and just competition

environment, the Shenzhen SMEs can not only motivate the employees to work, but also the best way to stabilize the talents of the enterprises through the deep excavation of the internal staff, the promotion of the talents with management ability, and the satisfaction of the talents being respected and self-fulfilled. Therefore, small and medium-sized enterprises in Shenzhen should attach as much importance to the introduction of talent as to the cultivation of talent, to establish a fair and scientific employment mechanism within the enterprise, to discard the rule of man, to implement the regulation of employment, to achieve the introduction of enterprise talent and talent training and technical and management personnel and the overall synergy mechanism, and thus promote the role of complementary talent structure and optimize the human resources structure.

(3) Establishing a strong social security mechanism for talents

Small and medium-sized enterprises in the Shenzhen region should not only vigorously introduce and cultivate talents, but also provide good social life protection for them. A region and an enterprise with a sound protection mechanism for employees will have an important role and significance in attracting and stabilizing talents. Excellent talent only in the case of no worries, in order to devote themselves to work better, in order to make more and better contributions to the enterprise. The local government in Shenzhen should introduce corresponding preferential policies to ensure that talents working in SMEs in Shenzhen can enjoy the social security and medical services they are entitled to, so as to eliminate these outstanding talents' sense of concern in a foreign place. At the same time, the SMEs in Shenzhen should also provide these talented people with appropriate facilities, and do their utmost to help and solve the problems of children's

schooling, housing, pension and medical care, and spouse's work, etc. A good social security mechanism for talents in Shenzhen will not only help to stabilise existing talents, but also help to attract more outstanding talents to work in SMEs in the Shenzhen region. Therefore, a strong social security mechanism is also an important factor indispensable for the strategic development of SMEs in the Shenzhen region.

7.2 Building Favourable Social Relations

7.2.1 Building Strategic Partnerships for Joint Development

(1) The idea of establishing an integrated supply chain

The development strategy of SMEs in the Shenzhen region should be combined with the supply situation of the suppliers for enterprise development, to have the strategic cooperation idea of achieving common development with suppliers and establishing an integrated supply chain, to establish the strategic thinking of win-win cooperation and development, and to build a supply model with low cost, high efficiency and quick market response. To take the supply services provided by suppliers as the core competitiveness of the enterprise development strategy, and form a risk and responsibility sharing with suppliers, common benefits, development strategies multi-win partnership vice.

(2) Establish an efficient information sharing system with suppliers

The development strategy of SMEs in the Shenzhen region needs to obtain strong support and efficient cooperation from suppliers. The information management model is also the most basic and necessary tool for supply chain management. By establishing an

information sharing system with suppliers, SMEs in the Shenzhen region can implement collaborative supply chain management and carry out in-depth development of the supply chain management structure, and open up the user platform to both customers and suppliers, so that when customer demand orders are entered into the system, the order information can be delivered to SMEs in the Shenzhen region internally as well as to suppliers in a timely manner, and suppliers and enterprises can also return the order production and procurement information to customers. This will not only ensure that the supplier to the enterprise supply services, so that enterprises in a timely manner to provide customers with products, but also to reduce the cost of enterprise inventory, to avoid the waste of human and financial resources.

(3) Selecting core suppliers as long-term partners

The development of an enterprise requires the supply of products from several suppliers, therefore, small and medium-sized enterprises in Shenzhen should combine the main business of their own operations, in many suppliers to select the core suppliers for the development of strategic long-term business partners. Some suppliers have an important impact on the development of the enterprise, the supply provided by the core of the enterprise's main business, and such suppliers to establish long-term strategic partnership to ensure the normalization of the supply of key materials for the development of the enterprise strategy: for the procurement of materials is not very difficult, the supply of products provided by suppliers with strong substitutability, to select long-term cooperation for the strong willingness of suppliers for long-term partners. For the supply of suppliers with low degree of influence on the main business products of the enterprise, low value of the supplied products and the cost of shortage is

greater than the procurement cost, the same specific supplier can be selected for replenishment on a regular basis.

7.2.2 Establishing Harmonious Customer Relationships

(1) Stabilize old customer relationships

Customer relationship is an important factor affecting the development strategy of SMEs in the Shenzhen region, and the development strategy of SMEs in the Shenzhen region cannot be separated from the stability and development of the customer base. The stability of customer relations for old customers is an important factor integral to the development strategy of SMEs in the Shenzhen region.

Old customers are customers who have consumed enterprise products before, have a certain degree of awareness of the products or services provided by the enterprise, and to some extent have a certain degree of recognition of enterprise products or services, this part of the customer base has a transfer value to the enterprise, can save the enterprise customer development and sales costs, and also has a supporting role in the acquisition of profits. For this part of the customers, SMEs in Shenzhen should pay more attention to the details of the products or services provided by the enterprise, make regular return visits to the old customers, convert the services provided to the old customers from standard to personalized services, provide more preferential activities for the old customer groups, and strive to obtain more transactions of the old customer groups for the enterprise's products or services.

(2) Develop new customers

The development of customer groups is a necessary condition for the development and

growth of enterprises. In the process of developing new customers, first of all, we should make good use of the referral role of old customer groups to new customer groups. The publicity effect obtained by introducing and recommending enterprise products or services to new customers through old customers is much greater than the effect of expanding customers by enterprises themselves. Secondly, the enterprise itself should also strengthen the development of new customers, small and medium-sized enterprises in Shenzhen to strengthen the publicity and promotion of their own products, to provide quality products and services in the market competition to gain a competitive advantage, to attract customers to carry out the initial transaction will, after the transaction is completed, small and medium-sized enterprises in Shenzhen to strengthen the after-sales service of enterprise products or services, to enhance the willingness of customers to cooperate again, the new households to old customers the direction of transformation. Finally, SMEs in Shenzhen should establish the concept of customer-first enterprise marketing, to put the interests of customers above the interests of enterprises, and actively create and maintain good customer relations, which is crucial to the development strategy of SMEs in Shenzhen in the long run.

7.3 Optimizing the External Environment for Enterprise Development

7.3.1 Sound Policy Support System for the Development of SMEs

(1) Improving policies and regulations for the implementation of development strategies

The development of any enterprise is inseparable from the support of the state and the

government. The Law on the Promotion of Small and Medium Enterprises introduced in China provides macro legal protection for the development of SMEs in the Shenzhen region. The municipal government of Chongqing and the local government of the Shenzhen region, on the premise of the overall policy of the Law on the Promotion of Small and Medium Enterprises, also need to formulate relevant implementation rules that can help SMEs in the Shenzhen region to implement their strategic development, so as to effectively implement the national policy for to create favourable external conditions for the strategic development of SMEs in the Shenzhen region. At the same time, the municipal government of Chongqing should, in accordance with the actual situation of the development of SMEs in Shenzhen, give certain tilts to SMEs in Shenzhen in terms of market access, land acquisition and the introduction of talents, and further improve the fair competition mechanism in the market, and give appropriate tilts to SMEs in Shenzhen in terms of enterprise development information, enterprise development funds and taxation. It will also strengthen the macro management system of the municipal government for SMEs in Shenzhen in terms of strategic development planning, market competition coordination and enterprise development guidance.

(2) Optimizing the policy environment for development strategies

SMEs in Shenzhen are an important pillar of the economic development of the Shenzhen region. Creating a favourable economic and social environment for the strategic development of SMEs in the Shenzhen region is a powerful measure to promote the economic development of the Shenzhen region. Therefore, local governments in the Shenzhen region should be committed to optimizing the environment for the strategic development of SMEs in the Shenzhen region and

promoting the implementation of strategic development of SMEs in the Shenzhen region: firstly, Chongqing Municipality and local governments in the Shenzhen region should lower the entry threshold for SMEs in the Shenzhen region and conduct a negative list management model to help SMEs in the Shenzhen region to participate in a wider range of economic activities and to a certain extent enhance; the Secondly, to further simplify the office process of SMEs, to implement network office and joint office mode, to improve administrative office efficiency, to timely control monopoly, counterfeit and local protection and other illegal acts, and to maintain a fair competition mechanism in the market; finally, through public resources collation, rational allocation of resources, in terms of investment attraction and government procurement, the local government in Shenzhen should provide comprehensive domestic and international market information for SMEs in the Shenzhen region through government channels to help SMEs in the Shenzhen region seize development opportunities, strengthen strategic cooperation with the outside world and enhance the market competitiveness of SMEs in the Shenzhen region for strategic development.

7.3.2 Create a Financing Environment that Supports the Development of SMEs

The difficulty and high cost of financing for SMEs has been an important factor affecting the further development of SMEs, and SMEs in Shenzhen are also facing the problem of difficulty and high cost of financing. Therefore, Shenzhen must accelerate the construction of a credit guarantee system for SMEs, improve financial services and corresponding financing policies, build a supportive financing environment for the development strategy of SMEs in Shenzhen, and broaden the financing channels for

SMEs in Shenzhen.

First of all, this requires the active collaboration of local governments at all levels in Shenzhen and the corresponding financial institutions to play their respective roles in the development of SMEs in Shenzhen. On the one hand, local governments at all levels in Shenzhen should set up corresponding guarantee institutions for the development of SMEs in Shenzhen and prepare guarantee funds for the development of enterprises; make efforts to set up district and county-level financing platforms for the financing of SMEs in Shenzhen, and provide financing guarantees for SMEs with development prospects in Shenzhen; on the other hand, actively pool social funds, encourage the establishment of socially-funded guarantee companies, give full play to social. Besides, we should actively pool social capital, encourage the establishment of socially-funded guarantee companies, give full play to social forces, improve the guarantee policy of socially-funded guarantee companies in the guarantee industry, regulate the standard operation of socially-funded guarantee companies, and provide healthy and stable financing channels for the development strategies of Shenzhen SMEs.

Secondly, we should strengthen the financing management of SMEs in Shenzhen, adopt the credit rating method for financing credit management of SMEs in Shenzhen, establish a unified credit data archive for the financing situation of SMEs in Shenzhen, and formulate a corresponding credit reward and punishment mechanism to differentiate the financing amount and services for SMEs in Shenzhen according to different levels of credit coefficients. Through credit management, we will protect the interests of all parties and jointly create and regulate the financing environment for SMEs in Shenzhen.

CHAPTER 8

CONCLUSION AND DISCUSSION

8.1 Conclusion

8.1.1 Summary of Findings

This thesis takes SMEs in the Shenzhen region as the research object, outlines the background and research significance of the research on the influence factors and countermeasures of strategic management of SMEs, and summarizes and draws on the research results on SMEs and the influence factors, theories of strategic management of enterprises and theories related to SMEs at home and abroad, and combines the current situation of SMEs in the Shenzhen region, the current situation of strategic management of SMEs in the Shenzhen region and other aspects of the actual at the same time, factor analysis and regression analysis are used to empirically analyse the factors influencing the development strategies of SMEs in Shenzhen. Finally, strategies are proposed for the development strategies of SMEs in Shenzhen from the internal dimension, the social relationship dimension and the external environment dimension of SMEs in Shenzhen.

8.1.2 Contribution of Study

(1) Based on the role and status of the existence of SMEs in the current world economic environment and some flexible characteristics of SMEs in terms of production and operation, it is proposed that SMEs are an important force in driving the growth of investment in the regional economy and enhancing the vitality of regional economic

development. In the Shenzhen region, they play an important role that is irreplaceable by other economic groups in promoting the optimisation of the economic structure and economic development of the region. The development of SMEs in the Shenzhen region is an integral and important part of the social and economic development of the Shenzhen region, and the prosperity of SMEs in this region has an important role and significance in promoting the healthy economic development of the Shenzhen region and maintaining the social stability of the Shenzhen region.

(2) Statistical analysis of the current situation of SMEs in Shenzhen reveals that there are problems such as large number, small scale, poor industrial structure and quality of SMEs in Shenzhen; at the same time, factor analysis and regression analysis of the factors influencing the development strategy of SMEs in Shenzhen are conducted using empirical analysis methods, and five public factors such as enterprise strategy and structure, talent system, supply and marketing relationship, policy environment and financing environment are found to have a significant impact on the development of SMEs in Shenzhen. The results of the factor analysis and regression analysis on the factors influencing the development strategies of SMEs in Shenzhen region were found to be significant.

(3) Based on the statistical analysis of the current situation of SMEs in Shenzhen and the empirical analysis of the factors influencing the development strategy of SMEs in Shenzhen, this thesis proposes to optimise the strategic system and enterprise structure, to optimize the talent guarantee mechanism for development strategy, to build strategic partnership for common development, to establish harmonious customer relationship, improve the policy support system for the development of SMEs in Shenzhen, and to

create a new environment for the development of SMEs in Shenzhen from the internal dimension, social relationship dimension and external environment dimension. The measures for the development of SMEs in Shenzhen were proposed in terms of optimizing the strategic system and corporate structure, optimizing the human resource guarantee mechanism, building a common strategic partnership for development, establishing harmonious customer relationship, improving the policy support system for the development of SMEs in Shenzhen, and creating a financing environment to support the development of SMEs in Shenzhen.

8.2 Discussion

8.2.1 Policy Implication

Small and medium-sized enterprises, as important participants in the economy and society, play a very important role. They are facing various problems at the same time. Strategic management, as a necessary link in the development process of small and medium-sized enterprises, points out the direction and provides an action plan for their development. The research of this thesis takes the small and medium-sized enterprises in the representative region as the research object, and conducts in-depth research and demonstration on the research theme of strategic management of small and medium-sized enterprises. And optimization suggestions for strategic planning were provided from five aspects of three dimensions. These strategic planning optimization suggestions provide reference for small and medium-sized enterprises themselves, as well as reference and basis for government departments, academic institutions, etc. It

also provides direction and guidance for these roles in formulating specific action plans in the future.

8.2.2 Limitation of Study

The research in this thesis leaves much to be desired, but it is also an effort to explore the development strategies of SMEs. As to limitation of this thesis, although the research subjects of this study are all small and medium-sized enterprise owners and managers, they are strategic decision-makers. However, compared to large enterprises and professionals, this group lacks knowledge in strategy formulation and enterprise management. Not only in strategic management, but also in the use of management tools, they have shown non proficiency. Most of them rely on their subjective judgment and personal experience to formulate strategies and conduct business management.

In addition, through this study, it was found that management tools mostly remain at the theoretical research level, and there is a lack of innovative research on management tool theory, while the practical application of management tools is less popular. The difficult combination of theory and application is also a common phenomenon at present.

Researchers need to conduct more in-depth and further research.

8.2.3 Suggestion for the Future Research

The quality of management cannot be measured with a so-called ruler. In the complex and ever-changing economic society, small and medium-sized enterprises are facing a lot of uncertain factors. Changes in research background, including changes in economy,

culture, region, policy and other aspects, will certainly have an impact on the strategic formulation and development of SMEs. Moreover, with the development of modern society and the rise of a new generation of entrepreneurs, they possess richer knowledge and more professional skills compared to previous entrepreneurs. The changes will also provide opportunities for further in-depth research in the future. I hope that in future studies, we can further explore the development of SMEs. In order to further study the strategic development of small and medium-sized enterprises, it is necessary to adopt larger, more extensive and more representative samples and more scientific and reasonable indicators and methods in the future, so as to obtain more objective and realistic conclusions, so as to better guide the development strategy of small and medium-sized enterprises and promote the rapid development and growth of small and medium-sized enterprises. At the same time, the application of management tools in the operation of small and medium-sized enterprises will be further explored and studied in the future, so that management tools can not only serve large enterprises, but also help the development of small and medium-sized enterprises. This will help guide the development strategies of SMEs and promote the rapid development and growth of SMEs.

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