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The Research on Competitive Abilities for Sustainable Development of Small and Medium-sized Textile Enterprises in Shandong Province

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Abstract: Under the condition of market competition, the success and the failure of the enterprise management is normally regarded as the result of “superior winning while inferior out”. Yet for the community of theorists and entrepreneurs, what are the reasons leading to the enterprise bankruptcy or successful are important research topics.

Among the small and medium-sized enterprises in China, most are loose and innovating slowly in their business management. The lower competitive ability has become the serious barrier for their sustainable development. Comprehensive analysis are made on the positive factors and adverse factors affecting sustainable development of small and medium-sized textile enterprises of Shandong Province according to on-the-spot investigations. How to gain and maintain the continued survival and development ability of the enterprises, and how to enhance competitive ability and realize the sustainable development are analyzed. And three kinds of development strategies are put forward.

Keywords: textile, small and medium-sized enterprise (SME), sustainable development, competitive ability

FOREWORD

With the displacement of textile enterprises from Korea and Japan and the stimulation policies adopted by the government of Shandong Province, most of textile enterprises in Shandong tend to attract foreign investment and technology to speed up their development. From 2004, textile industry in Shandong Province has taken on a new look of great development. Among 17 cities of Shandong, from January to October 2004, the top 5 profits-earning cities are Binzhou, Weifang, Zibo, Yantai and Weihai. Nine industries supported these achievements, they were cotton spinning, printing and dyeing, cotton ware, wool spinning, hemp textile, knitwear, garments and other fiber manufacturing, chemical fiber manufacturing as well as special equipment manufacturing industries. They helped reach a new height of profits of those cities. Among these fields, small and medium-sized enterprise (SME) contributed a lot. They helped textile industry increase four economic indicators including gross value and added value of industrial output, sales revenue as well as profits and taxes more than 40% year-on-year growth. The total export volume of Tsingdao, Yantai, Weihai, Binzhou and Weifang occupied 75.08% of that of Shandong Province. In 2010, the export profits volume of Shandong in textile including garments reached 17.326 billion US dollar, a new height throughout its history, and 22% increment than last year.

On the view of development of SMEs in Shandong, the reasons why they got the achievements so quick after China entering into the WTO are just as followed. Firstly, according to the human resource condition,

Shandong has plenty of labors particularly laid-off industrial workers who can fulfill the labor demand of labor-intensive textile industry. Secondly, according to the geographic condition, Shandong is located near Japan, the main and big textile import country. Transportation from Tsingdao port to Japan and Korea is very convenient. Thirdly, according to the historical condition, since the late Qing dynasty, Shandong started to develop textile industry, therefore, having some relatively advantages beyond other regions of China. Last but not least, according to the policy of maintaining social stability, settling down the laid-off labor is the most important task for Shandong Province. So the government of Shandong gave and will continue to give support to those enterprises.

With the acceleration of global economic integration as background, facing the advantages held by large sized textile groups throughout the world, it is really a problem how the SMEs of textiles in Shandong will do can help them survive and develop sustainably in the coming years by overcoming their shortages on technology, capital, scale and brand influence. It needs to be planned in advance.

1. THE NECESSITY OF SUSTAINABLE DEVELOPMENT OF SMES OF TEXTILES

The concept of sustainable development was raised on the background of increasingly ecologic deterioration and environmental pollution. It originally means development that meets the needs of the present without compromising the ability of future generations to meet their own needs. For enterprises, it means development that meets the needs of the present without compromising the ability of future survival and development^[1]. That needs long-term goals to guide the development.

Among those SMEs of textiles, some keep flourishing and growing bigger, yet some just flourished for a while and going to failure. Studying the reasons, we can find that the key factor is whether the enterprise holds long-term competitive advantages or not. It is not very hard to catch competitive advantages in some set time and set condition. But, keeping those competitive advantages or keeping catching new competitive advantages is in my thought a very hard work. In the time of economy globalization, key factors for success are the competitive advantages of keeping developing new products and new markets. They come from core competitive abilities which better than those of rivals. Only if those SMEs of textiles forge their own special competitive abilities, should they get all-round development, and optimize arrangement of strategic resources such as human resource, materials, finance, and so on, thus promoting their long-term survival and development, as well as keeping continuous competitive advantages^[2].

2. FACTORS ANALYSIS FOR SUSTAINABLE DEVELOPMENT OF SMES OF TEXTILES IN SHANDONG

2.1 Strength

2.1.1 Environment of market demands

With the rapid economic development in China, the level of life of our people increased continuously. Demands of various textile products also increased constantly with consumption structure changed a lot. Differences of consumption have been shown gradually. In east area, particularly in large cities and developed region, consumption on textile products tends to be more ecological and natural. Cotton ware and wool products have been more and more popular there. And in undeveloped region, demands of chemical fiber products increased significantly.

Meanwhile, thanks to the return of trade of textile products to the free trade system from January 1st, 2005, and depending on plenty of relatively cheaper labors, cheap but good Chinese textile products are increasingly demanded by international market. It is undoubtedly a good opportunity for those enterprises.

2.1.2 Competition factors

In recent years, textile industry in Japan and Korea have displaced to the outside world. Shandong is just

looking them across the sea, therefore becomes the first destination to arrange the displaced industry. Meanwhile, the export destination of their products is mainly Japan and Korea. From January to May, 2012, the export volume of textile products in Shandong reached 49.22 billion US dollar. 10.8 percent and 6.8 percent export increment to Japan and the US. In general, opportunities appear towards textile industry in China, particularly in Shandong. Competitive threat from market is weak. So, we should take the chance to accelerate development.

2.1.3 Politics and policy factors

With the increase amount of laid-off workers, social stability has been under its threat. In order to release the pressure of employment and help the laid-off workers be employed again, governments adopted some policies to encourage private and collective enterprises to develop, particularly in the textile industry, a labor-intensive industry, which was directly beneficial.

2.2 Weakness

2.2.1 Analysis for human resource condition

Textile enterprises belong to labor-intensive industry. It is not necessary to have workers with high quality on knowledge s and skills. Most workers can embark on their work after short-term training. Only in the field of finance, sales, HR and other management, high educated professionals are demanded ^[3].

Currently, there exist some problems about how to use personnel in the SMEs of textiles in Shandong. Family style management is still popular among them. At the beginning period of their enterprises, on the bases of their natural common benefits, family members could fight together for their common goals. It helps develop their enterprises fast. But, when the enterprises develop to some stage, disadvantages are coming with this kind of management. Usually, they refuse to employ professional managers out of their family, or they don't fully empower their managers, thus avoiding the possibility of out of control to their companies, but at the same time, stopping the further development of their companies and tending to make their enterprises gradually stiff in management.

2.2.2 Analysis for products condition

Most of those enterprises engage in foreign trade processing, they are manufacturing workshops of some large-scale enterprise, in charge of some working procedures. They often use other's brands, manufacturing for export. Most of their products are semi-manufactured. They get materials or a part of materials from some of those large-scale enterprises and provide their products back. Due to their limits of technologies and devices, disqualification products often appear. In addition, some enterprises use cheap materials to control their cost blindly, thus bringing low quality products, therefore, endangering their opportunities of sustainable development.

2.2.3. Analysis for logistics condition

It is very hard for the SMEs to purchase large quantity of materials. So, the cost of their materials can not be cheap enough. Therefore, comparing their large-scale rivals, they have to stay at disadvantage position.

2.2.4. Analysis for technology and sales ability

Most of them join the some specific part of work, which rely on intensive manpower rather than high technology. Since many procedures needs manpower with low payment, efficiency and quality are not so good.

As for the sales ability, most of them tend to accept big orders from domestic large scale companies for export trading. Therefore, they usually do not make their sales plans. In case they got their sales pipelines blocked, they would undoubtedly suffer deadly hit from their market.

2.2.5. Analysis for information condition

Competition in market is not complete, and information from market is also inadequate. SMEs can not master information as quickly and correctly as large enterprises. This condition makes them passively follow those large-scale enterprises in their development. It is harmful to their development^[4].

2.2.6. Analysis for organizational structure

Comparing with large scale enterprises, the level of management of these SMEs relatively lag behind. Most of them adopted linear structure for their management. At the beginning of the enterprises, there were some advantages brought with this structure mode. Simple and low cost, concentration in power, clear in work division, quick in communication and directly commanding subordinate. All help them response quickly. But if they can not reform their organizational structure to adapt the development of their enterprises, the top management who should do everything themselves can not be adapted to the management of the enterprises which have increased their technology and expanded their scale.

2.2.7. Analysis for organizational culture

Organizational culture is the sum total of an organization's past and current assumptions, experiences, philosophy, and values that hold it together, and is expressed in its self-image, inner workings, interactions with the outside world, and future expectations. It is based on shared attitudes, beliefs, customs, express or implied contracts, and written and unwritten rules that the organization develops over time and that have worked well enough to be considered valid. It affects the organization's productivity and performance, and provides guidelines on customer care and service; product quality and safety; attendance and punctuality; and concern for the environment^[5]. It extends also to production-methods, marketing and advertising practices and to new product creation. But these textile enterprises have not put their emphasis on organizational culture for which there has been a lot to do in order to lead their employees to win sustainable development of both people and enterprises.

3. STRATEGIC CHOICES FOR SMES TO PROMOTE THEIR COMPETITIVE ABILITIES ON SUSTAINABLE DEVELOPMENT

According to the analysis above, there are three methods for SMEs of textiles of Shandong to promote their competitive abilities on sustainable development

3.1 Development strategy of clustering

Development of clustering of SME, institution and other organization depends on those organizations, which in same field or relevant fields, clustering to grow, thus forming their cooperation system with specialization work of division, industries or products supporting, information flowing as well as infrastructure and sales network sharing, then, compete in the market. By establishing this system, the SMEs can not only overcome their shortages inside, but also relieve part of restriction from outside and foster competitive advantages^[6]. As for textile relevant industries, they could cluster with textile as their core industry. After clustered, those enterprises can make full use of the effect to strengthen their core competitive abilities further and keep on their sustainable development.

3.2 Strategy of cooperation with big enterprises

Most SMEs of textiles in Shandong have weak strength and single products. Comparing those big enterprises, they are inferior in technology, capital, scale and brand. Meanwhile, the bigger enterprises tend to outsource in order to raise their efficiency, thus providing reliable place for SMEs of textiles to survive and develop in a long period. So, the smaller have taken and could continue to take this opportunity to cooperate with the bigger. On one hand, the bigger can fully use advantages of quick response and low cost from the smaller, on the other hand, the smaller should fully use advantages of advanced technology, equipment and capital from the bigger to speed up their own development^[7].

3.3 Strategy of independent development

SMEs of textiles in Shandong finally need to develop independently. Although development of clustering can help form scale advantage and group effect, but based on the current condition of Shandong Province, it is

difficult to carry out this strategy according to current economic foundation and usual practice of cooperation among enterprises there. And, collaboration with big enterprises and to be a manufacturing unit seems a good choice. However, if the bigger one meets any crisis, the dependent smaller will face survival crisis. So, if with good condition, SMEs of textiles in Shandong can follow the development way of clustering at initial stage. If not, they can collaborate with big enterprises. But whatever they chose, finally they need to develop independently. That is the need for their survival.

4. IMPLEMENTATION OF SUSTAINABLE DEVELOPMENT STRATEGY

4.1 Carrying out inside reconstruction, optimizing resource deployment

4.1.1 Carrying out specialization division of work and “specific with exact” strategy

With relatively small scale and little money, the SMEs of textiles need to focus on their organizational structure adjustment for their specialization. Doing so will be in favor of avoiding so called “small but complete” unreasonable structure and joining the economies of scale, and promoting the progress of technology, reaching the characteristics of “small but sophisticated, small but exact, small but excellent, small but special”. This is also the demand from social division of labor. Due to its large quantity of detailed specialties, textile industry needs specialization collaboration more than others. Specialization division means to divide manufacture in detailed, which can help improve technology, efficiency, and quality of work^[8]. These belong to the “specific with exact” strategy, which is the fundamental strategy for them to forge and raise their ability of competence as well as sustainable development.

4.1.2 Implementing imitation with innovation strategy

Due to weak technology bases and shortage of experiment equipment and method, the SMEs of textile in Shandong should find out a way economic and practical to enhance their technological innovation. Imitation with innovation is the way. That does not mean to merely copy other’s technology, but research and develop further to technology from industrial leader. Doing so needs not only investment but also progressive innovation. It can help the learner focus aim to research and development, as well as lower risks of competition the leader^[9]. If new and valuable patent could be brought out, another win-win condition will appear to both sides. Therefore, it is a low risk and high efficiency strategy for the SME of textiles in Shandong.

4.1.3 Shaping “participation style organizational culture”

Participation style organizational culture focus on democracy and harmony atmosphere in management, which can encourage employees to participate actively in each link of enterprises they belong to, thus fully discovering staff’s potential and making use of their talent. The core of establishing this style of culture is fully empowering staff and decision-making democratization. With this culture, subordinates have more freedom to make decision within their empowered work. Therefore, they will be more active to contribute their wisdom to improve all links of the enterprise. Doing so, the range of employees who could influence decision-making will be expanded. It can support the technology based “specific with exact” strategy and “imitation with innovation strategy” strongly and deeply.

4.2 Completing detailed inner work, fostering lasting core competitive ability

4.2.1 Fostering core technology and innovating technology

In order to stay as a winner in market competition, the SMEs of textile in Shandong should foster and improve their core competitive ability which is not easy to imitate. Currently, the core technology is almost the core competitive ability and necessary prerequisite for their sustainable development. Modern enterprise system embodies high efficiency on allocation resources^[10]. Whether the efficiency works or not mainly depends on core technology and its innovation. The SMEs of textile in Shandong should clear firstly their division of work. And then find out which technology is or could be special and pivotal. After confirming it, human, capital and

material resources should be invested to research and develop it further, hence, gradually fostering their own core technology.

And technology innovation is the key for them to continuously develop. Core technology should be constantly innovated to keep its advantage.

4.2.2 Actively implementing brand strategy

With its monopolization, individuation inheritability and expansibility, brand is a vital weapon in market competition^[11]. So, it is a precious strategic capital and prerequisite for enterprise to be bigger and stronger. With core competitive ability, brand strategy is the next step for them to keep sustainable development.

4.2.3 Making “green” products

The word expects “green” products indeed. So, the flexible and quick-response SMEs of textiles could always concern the adoption of new environment protected materials and processes and then develop their own to make “green” products. Therefore, reputation will be better with larger market, and more profits.

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