

RESEARCH ON DEVELOPMENT STRATEGY OF SICHUAN HQ COMPANY



¹Jifen Lu

Business Administration Rangsit University, Pathum Thani, Thailand

¹911803878@qq.com

Received July 10, 2022; **Revised** November 2, 2022; **Accepted** December 20, 2022

Abstract

This article aims at researching Sichuan HQ Company's strategic development plan. The company's external environment would be examined by using PEST and Michael Porter's Five Forces Model analysis, and an External Factor Evaluation Matrix would be built. In addition, the company's internal environment would be analyzed, and an Internal Factor Evaluation Matrix would be constructed. After summarizing external and internal factors of the company and a combination of a survey to the executives and an evaluation provided by related department directors and consultants, the researcher could utilize the analytic hierarchy process to test the validity of the plan.

By analyzing the internal and external circumstances, combining SWOT analysis method to reach four strategies, the final choice for the company is to strategically develop through advantages and to seize opportunities based on company's current developing situation and short-, medium- and long-term goal. The researcher has identified target enterprises' strategic orientation and measures comprising four implementations: Technological innovation; intelligent production; Cultivation and development of human resources; and Cooperation with local company and warehouses construction through oversea branches.

Keywords: International Enterprises, Technological Innovation, Development Strategy, Intelligent Production, Enterprise Cooperation, Market Expansion

Introduction

As an important part of a country's industrial development, core of economic development, who have a wide range of applications, as countries have invested heavily in some field such as aerospace, new energy industry, service industry, mechanical processing, manufacturing, and power etc, in infrastructure construction, the application of machinery industry products in the international market remains increasing as well, and the technical

¹International Chinese College, Master of Business Administration Rangsit University, Pathum Thani, Thailand

requirements for products are also increasing, in addition, the competition will become stronger and stronger to boot. With more than 20 years of development, enterprises have shifted production lines or orders to countries with low manufacturing costs and a dense labor population for the reason of the low-end products of mechanical transmission parts belonged highly polluting and labor-intensive processing products as well as limited environmental indicators and high labor costs in developed countries. Because of China's strengths in technology, productivity and cost, China's mainland has become the main production and export place of global mechanical parts at present.

Research objectives

This paper researches on development strategy of Sichuan HQ Company, formulating implementation measures.

Research method

1. PEST macro-environment analysis refers to the analysis of the factors influencing the external environment of enterprises from four aspects: politics, economy, culture and technology;

2. Michael Porter's Five Forces Model is used as an analysis tool to formulate competitive strategy for enterprises as often as possible. The five forces are respectively the competitiveness of existing competitors in the same industry, the ability of potential competitors to enter, the ability of substitution, the bargaining power of suppliers and the bargaining power of buyers.

3. The IFE internal factor evaluation matrix is used to analyze the extent of influence on the internal strengths and weaknesses to the internal enterprise, and determine its weight proportion as per the size of the influence. The proportion score range is from 1-4 points, with the average total weighted score 2.5 points. On the condition that the internal influencing factors of the enterprise outperform 2.5 points, the internal situation of the enterprise belongs to the state of strengths, otherwise, it belongs to the state of weaknesses.

4. EFE external factor evaluation matrix refers to analyze and evaluate the external influencing factors of the enterprise, which include every kind of aspects such as political, economic, etc. The enterprise lists the influencing factors of opportunities and threats, and the total weighted score of each factor is 1-4, with an average total weighted score of 2.5. Assuming that the final weighted score of the enterprise is 4, it reflects that external factors are beneficial to the development of the enterprise. On the contrary, if the final weighted score is 1.0, which indicates that external factors are not beneficial to the enterprise, the enterprise demands to adjust its development path to avoid adverse effects on the external environment.

5. SWOT analysis refers to combine the strengths and weaknesses of the internal environment of the case company with the opportunities and threats of the external environment, determine the specific strategic development direction and implementation measures in keeping with the actual development of the case company.

Relevant theoretical basis

The Evolution of Strategic Management Theory and Its Main Viewpoints

The theory of enterprise strategic management, in the 1990s, focused on competition and competitive strengths, in other words, there exist competition and cooperation combined their own strengths with others' strengths by the time of the 1990s. With the increased external

environment competition in the 1990s, the technical requirements in the market were constantly differentiated. Enterprises found that they needed to improve their own strength to expand market share in order to develop. As a result, the first enterprise strategic management theory which achieved competitive advantage through innovation emerged under this background.

In the 1990s, with the rapid development of science and technology, enterprises paid more attention to the development of internal environment and focused more on the competition of technology. In 1990, with Hammer and Prahalad published "*Core competitiveness of enterprises*" in *Harvard Business Review*. Enterprises began to attach importance to the research on the improvement of core competence, forming the "core competence school" in strategic theory.

The competitive strategy theory in the early 1980s became the central position of the strategic management theory. He believed that Michael Porter the core of enterprise strategy was that competition was profitable industries as well as high potential return industries. Industrial institutions can improve the competitiveness of enterprises so as to gain market strengths to adjust and implement basic strategies through the value chain, so Michael Porter's Five Forces Model has become the most commonly used tool for external environment analysis.

In the early 1970s, Alfred D. Chandler, a famous management scientist, published *Strategy and Structure: Several Chapters of the Growth of American Industrial and Commercial Enterprises* in 1962. It occurred to him that business strategies must meet market demand and that companies must combine organizational structure with growth strategies. The "design school" and "planning school" came into being. The design school believed that the strategic formulation process should be analyzed from the internal strengths and weaknesses of the enterprise as well as the opportunities and threats of the external environment, supervise the implementation of the strategy by the senior management and make adjustments based on the environment. The "design school" is represented by Professor Andrews. The strategic structure of the "planning school" is to formulate an implementation plan through the strategic objectives of the enterprise, after that, to formulate and implement the strategic process by the senior management of the enterprise, represented by Ansoff. In the *Company Strategy* published in 1965, Ansoff divided the enterprise strategy process into drafting and evaluation analysis, and finally obtained the plan implementation.

The main schools of enterprise strategic management theory are resource school, capability school, etc.

Type of enterprise strategy

The type of enterprise strategy is not classified the same as per the size and type of enterprises, which means that large enterprises are divided into overall strategy, strategic business unit strategy and functional strategy, while general enterprises can be divided into overall strategy and functional strategy.

The overall strategy is divided into type of expansion and stability. Strategy for strategic business unit is divided into three strategic modes: total cost leading strategy, differentiation strategy and focus on key points strategy. Functional strategy remains the most common strategy.

The process of strategic management

The strategic management process refers to a long-term management process in the development of enterprises, which includes the analysis of the strategic management process, the selection and evaluation of the strategic management process, and the implementation and regulation of the strategic management process.

Research tools and analysis summary

PEST macro environmental analysis refers to the analysis of the external environmental impact factors to the case enterprise from the four aspects of politics, economy, society and technology:

Politics

On the basis of the relevant policy outline formulated by our country: *the Fourteenth Five Year Plan and the Proposal for Vision and Objectives in 2035*, the meeting invent important deployment for the Fourteenth Five Year Plan and national economic development; The State Council has issued *the Outline of the Construction Plan of Chengdu Chongqing Double City Economic Circle*, which makes Chengdu Chongqing Economic Circle a modern industrial system and promotes the high-quality development of manufacturing industry in its strategic positioning; *The Opinions of the General Office of the State Council on Promoting Stability and Quality Improvement in Foreign Trade* are summarized as follows:

1. Increase the scale of credit and loan credit guarantee for foreign trade enterprises;
2. Expand the markets of new developing countries such as the EU, ASEAN, Au and Africa under the "the Belt and Road";
3. Launch exchange rate risk avoidance training and consulting services;
4. Promote technological innovation of enterprises, increase R&D investment, and implement tax preference for R&D investment of enterprises;
5. Quickly promote the digital and intelligent construction of exhibitions such as China Import and Export Fair, and new exhibition modes such as big data technology and virtual booths;
6. Improve internal and external logistics, strengthen the construction of international air cargo capacity, enhance the competitiveness of international maritime transport, promote the high-quality development of China Europe scheduled trains, cross-border e-commerce, accelerate the layout of overseas warehouse distribution and other logistics infrastructure networks;
7. Strengthen manufacturing and trade innovation capabilities, and create an efficient technology research and development platform;
8. Build Chengdu Chongqing digital economic circle, promote the industrialization of digital and digital industrialization with "5G+Industrial Internet" will, and lead the transformation and upgrading of enterprise technology plus industry.

To sum up, the implementation of relevant policies has been accelerated from the development trend of the country towards the overall economy and the policy trend of supporting foreign trade enterprises. Despite the fact that foreign trade enterprises have a good political environment for development, they should pay close attention to the direction of national economic development, make full use of the existing policy environment to face the development and change of the international market, accelerate the development of enterprises, use the national financial support policies to enhance the technological innovation of enterprises and increase investment in research as well as development, cultivate talents and make full use of bilateral trade cooperation such as the "the Belt and Road" to expand diversified markets with new-type countries.

Economics

From the analysis of China's GDP and total import and export trade in recent three years, the proportion of GDP in industry from 2019 to 2021, and the import and export of foreign trade from 2019 to 2021, the current economic environment lies in the following three difficulties:

Firstly, the economic situation is grim, expected to weaken. In 2021, the continuous rise of bulk commodity prices, the supply shortage of some raw materials and factors, and the local recurrence of the COVID-19 have brought continuous challenges to the release of national industrial enterprises' production capacity, the recovery of the clustered service

industry and consumption, which lead to the gradual emergence of triple pressures in demand contraction, supply shock and expected weakening, recovery economy and the large downward pressure. The GDP in 2021 will reach 114.4 trillion yuan, an increase of 8.1%, with an average growth of 5.1% in two years. From the perspective of quarterly growth, the first, second, third and fourth quarters were 18.3%, 7.9%, 4.9% and 4.0% respectively, showing a significant downward trend; The growth in each quarter was 4.9%, 5.5%, 4.9% and 5.2% seen on average two years, lower than 6.1% in 2019. The economy is still in the recovery stage, and the growth rate is expected to change from "6 guarantees" to "5 guarantees".

Secondly, it lies in weak domestic demand, shrinking external demand, and lack of the "troika" power. Strong exports in 2021 has become a vital support for economic growth, contributing 20.9%, with 7.2 percentage points higher than investment, the first time in nearly 20 years. The impact of investment and consumption on economic growth has weakened, with the contribution rate lower than 9.9 percentage points in 2019. It is estimated that the export growth rate will decrease from 21.2% to about 10% with the gradual recovery of overseas industrial chain, which will greatly affect the economic growth.

Thirdly, on account of the continuous impact of COVID-19, the economy stays in the initial stage of recovery.

However, with the development of a series of relevant policies and measures to promote the stable development of foreign trade enterprises, there exist both opportunities and difficulties in China's foreign trade enterprises, which should rely on existing incentive policies to promote core technology innovation, stabilize existing markets and explore emerging markets actively.

Society

Analyzed the per capita disposable income of China's residents plus the per capita income from 2019 to 2021, the economic endogenous power and vitality, in the past three years, were not strong, in addition, income slowed down, and the willingness to consume weakened. The per capita disposable income of all residents increased by 5.1% in two years on average, lower than 5.8% in 2019. The reason lies in that on account of the continuous impact of the COVID-19 epidemic, weak domestic demand, shrinking foreign demand, difficulties in paying wages and financing of labor-intensive processing, small or medium-sized enterprises, private enterprises, etc., result in greater pressure for enterprises to resume work and production, which leads to unemployment and lower income, but with the relevant policies of stabilizing foreign trade launched by the state, it can be achieved to further increase the efforts to relieve the difficulties of enterprises, ensure that the economy is operating in a reasonable range, recover the social environment gradually and promote the development environment of enterprises to boot through active fiscal policy and stable monetary policy to maintain a reasonable abundance of liquidity plus make efforts to smooth out the internal circulation.

Technology

1. 5G. as well as Artificial intelligence has gradually accelerated its integration into the real economy industry, as a result, digital industrialization has promoted the transformation and upgrading of enterprises, which has been applied to the production and processing, production and manufacturing, business management, marketing services and other businesses of small and medium-sized enterprises in China. In addition, it has promoted the integration of enterprises and digital technology optimization and innovation in the field of technology innovation and research and development in digital technology;

2. Digital trade cooperation among countries, development of the Silk Road, bilateral trade cooperation and digital economic cooperation with the Belt and Road countries, ASEAN countries and Middle East countries, and cooperation in finance, logistics, e-commerce and other fields. In addition, relying on the existing free trade regions in China, a new type of cross-border e-commerce industry circle and ecological industry chain has been created, which is conducive to vigorously developing cross-border e-commerce industry, promoting the comprehensive regional construction of cross-border e-commerce;

3.Digital transformation in financial field, digital intelligent payment, establishment and use of rules and regulations in digital currency (RMB) cross-border payment and other fields;

4.Innovation and application of information technology, using "5G+industrial Internet" and artificial intelligence to improve the technical innovation and supply of enterprise software and hardware; augment of the technological innovation of 5G network in the fields of digital currency, intelligent logistics and financial services.

SWOT analysis analyzes and summarizes the strengths and weaknesses of the internal environment of the case enterprise, as well as the opportunities and threats of the external environment, making a combination match: Strengths and Opportunities (SO), Strengths and Threats (ST), Weakness and Opportunities (WO), Weakness and threats (WT), selecting SO for strategic development in combination with the current development of the company.

The IFE internal factor evaluation matrix is to analyze the internal strengths and weakness of the case enterprise, the conclusion, from which, is that among the strengths, stable domestic and foreign markets and international well-known cooperative customers, as well as large investment of R&D capital and strategic cooperation with partners to build a digital factory, etc; Among the weakness, the lack of technology R&D and production capacity will have a negative impact on the company's development.

Porter's Five Forces Analysis is used as an analysis tool to formulate competitive strategies for case enterprises. The five forces are respectively the competitiveness of existing competitors in the same industry, the ability of potential competitors to enter, the ability of substitution, the bargaining power of suppliers and the bargaining power of buyers.succedaneum The specific analysis is as follows:

Firstly, citing the more competitive companies in industry such as Henan SL Machinery Company, Fuzhou FT manufacturing company and Sichuan HQ company to compare and analysis, we can conclude, from the annual sales volume, product specifications, casting production capacity, partner strength, that the case companies in the industry have full competitiveness.

Secondly, the invested capital has a strong market competitiveness in technology, casting capacity and mold production, while it is weaker for India and Southeast Asian countries with potential competition in the ability of potential competitors to enter due to restrictions on capital, technology, casting capacity and mold production;

Thirdly, compared with the competitive companies including Henan SL Machinery Company and Fuzhou FT Manufacturing Company in the industry, Sichuan HQ Company is superior to the companies in the industry in terms of sales, casting capacity, product specifications and models in 2021, which means that Sichuan HQ Company is fully capable of bargaining;

Fourthly, considering that the price of the industry is transparent and the buyers pay more attention to technology on production as well as inspection, the buyer's purchasing power has little impact on Sichuan HQ Company;

Fifthly, the change and update of industrialized products require a long time of technology accumulation plus a large amount of investment in R&D capital. India, Vietnam and other Southeast Asian countries are growing in manufacturing industry, but it is lack in the production technology, equipment manufacturing, inspection machines and management capabilities are, hence, there is no substitute to replace.

The EFE - External Factor Evaluation Matrix summarizes the opportunity factors and threat factors from the external environment and competitive environment of the business location of Sichuan HQ Company, concluding that the development opportunity factors of the external environment outperform the threat factors. The opportunity factor is to combine with the direction of China's foreign trade policy, such as promoting bilateral trade cooperation between the digital economy circle of friends and the "the Belt and Road" countries, the "digital silk road" emerging economies countries, the European Union and other countries. we

should seize this opportunity to expand the markets of emerging countries and subdivide market demands; Promote the R&D of technological innovation as well as transformation and upgrading of enterprises, and combine the current 5G, AI and other technologies to apply them to the real industry actively. Threat factors lie in that risk in exchange rate, emerging market competition factors, emergence of potential competitors and increased competition in emerging markets will aggravate the company's market share reduction, while exchange rate will directly affect the company's revenue.

Implementation measures of development strategy

Sichuan HQ, from its internal comprehensive strength and the complex and changeable external environment, demands to adapt, adjust, change and take the following measures in combination with the company's long-term, medium and short-term strategic objectives:

Technological innovation: it can improve the research and development of original products and technological innovation of products, facing the rise of manufacturing capacity of India and Southeast Asian countries by developing strategic cooperation with existing partners and conducting independent research and development at the same time to maintain market competitiveness.

Intelligent production: As the advantage on China's labor cost continues to decline, young people are reluctant to enter the factory, while low labor costs in India and Southeast Asian countries cause the orders likely to be banned so that the company needs to use intelligent production to cope with the rising labor costs and increasing market demand.

Human resources: Cooperate with colleges and universities to introduce talents or attract experienced talents in the industry by improving their treatment, develop training mechanisms to match the trend of the company's international development, constantly strengthen the training of technical talents and technical exchanges and cooperation between enterprises, improve the strengths of enterprise technical talents, and employ local talents to better integrate into the local market to promote the company's international development strategy.

Setting up branches overseas to establish warehouses and strengthen cooperation with local enterprises: In order to rapidly expand overseas emerging markets and establish the company's brand effect, entering the local market quickly can be achieved by setting up branches overseas to strengthen cooperation with local enterprises, which can not only effectively avoid many problems, such as local culture and market conditions, but can make full use of the existing resources, management, technology and other strengths of local cooperative enterprises to bring about better development for the company as well, quickly adapt to the local market environment, establish warehouses overseas to better serve customers, shorten the supply cycle, reduce the company's product inventory, and better radiate the market demand of surrounding countries.

Research conclusion

As China's economic development plays an increasingly important role in the global economic circle, China's enterprises still need to constantly improve their manufacturing, technology and production capacity compared with developed countries. The machinery manufacturing industry is an important industry for the development of a country. With the 5G, big data and artificial intelligence technology information age, the demand of the external market for product diversification and innovation will become increasingly demanding, and the competitive market will become increasingly fierce. Sichuan HQ needs to adjust its own strategic development from the following aspects: first, technological innovation to enhance

its core competitiveness; Second, intelligently improve production capacity; Third, the training and reserve of human resources to adapt to the trend of international development; Fourth, the establishment of overseas branches, the establishment of warehouses and the strengthening of local enterprise cooperation can rapidly expand overseas emerging markets, establish brand effects, better serve customers, shorten the supply cycle, and radiate the market demand of surrounding countries.

The development strategy of Sichuan HQ Company demands to be constantly adjusted in keeping with the market demand and competition. The research on the strategic development of Sichuan HQ Company in this paper is relatively shallow, needing to be verified in practical applications, so hopfully, the solutions and suggestions in this paper can play a certain role in supporting the development of the enterprise.

References

- Alfred D. Chandler (1962) *Strategy and Structure: Several Chapters in the Growth of American Industrial and Commercial Enterprises*. Kunming: Yunnan People's Publishing House
- Ansoff (1965). *Corporate strategy*. Chengdu: Southwestern University of Finance and Economics Press
- Bai Jiasong (2008). *On the Evolution and Trend of Enterprise Strategic Management*. Economic & Trade Update (Mid term) (S5), 95-96
- Bai Yu. (2021) *Research on the Development Strategy of INL Foreign Trade Company* (Master's Thesis) University of Electronic Science and Technology, China.
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFDTEMP&filename=1022423288.nh>
- Fang Jianhua (2018). *Research on the Development Strategy of Foreign Trade Enterprises under the New Normal Background* (Master's Thesis) Shanghai Jiao tong University, China
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD202201&filename=1019639920.nh>
- Official website of National Bureau of Statistics <http://www.stats.gov.cn/>
- Official website of the State Council <http://www.gov.cn/guowuyuan/index.htm>
- Hammer&Prahalad (1990) Enterprise core competitiveness Harvard Business Review, 1-32
- Huang An (2014). *Research on the Transformation and Development of China's Foreign Trade in the New Period* (Doctoral Dissertation) Fujian Normal University, China
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CDFDLAST2015&filename=1015523546.nh>
- Li Yongsheng (2016). *Development Strategy of Henan XX Machinery Foreign Trade Company* (Master's Thesis) Zhengzhou University, China
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD201701&filename=1016161836.nh>
- Lu Xianxiang&Li Lei (2021). *Strengthen the main position of enterprise innovation and improve the technological innovation capability of enterprises*. Learning and Practice (03), 30-44
- Sheng Hao (2018). *The evolution and prospect of China's foreign trade strategy since the reform and opening*. China Business and Market(11), 58-67
- Su Xiang. (2020). *Research on the Competitive Strategy of RF Company's Industrial Automation Sector* (Master's Thesis) Lanzhou Jiaotong University, China
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD202201&filename=1021137585.nh>
- Tian Guang, Liu Hongfei&Li Yangkuo (2021). *Analysis of the cultivation and development of China's consumer market from the perspective of macroeconomic development*. Journal of Commercial Economics(10), 50-52

- Wang Yang (2017). *Research on the Transformation Strategy of LWK (Shenzhen) Co., Ltd.* (Master's Thesis) Yunnan University of Finance and Economics, China
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD201801&filename=1017102682.nh>
- Wang Fajin (2010). *Research on the optimization of strategic element evaluation matrix.* Market Weekly. Disquisition Edition (01), 8-9. Wang Hongmei (2019). *Research on the influencing factors of the change of the role of foreign trade in China's economic growth* (doctoral dissertation) University of International Business and Economics, China.
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CDFDLAST2020&filename=1019229601.nh>
- Warnerfield (1984) Enterprise resource theory. Strategic Management Journal, 1-18
- Xi Feng (2020). *Research on the impact of enterprise independent innovation on high-end manufacturing.* Price: Theory & Practice (09), 136-139
- Xiang Song (2013). *Research on ACT Company's Development Strategy* (Master's Thesis) Lanzhou University, China
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD201901&filename=1016287337.nh>
- Xiao Yaqing (2021). *Make the manufacturing industry stronger and better and unswervingly build it into a manufacturing power.* Machinery Industry Standardization and Quality (02), 14-16+30
- Xu Xiao (2021). *Research on credit risk management of small and micro enterprises in Nanjing Branch of Bank M based on analytic hierarchy process* (master's thesis) Southeast University, China
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFDTEMP&filename=1022465990.nh>
- James. F Moore (1999). *The decline of competition* Beijing: Beijing Publishing House
- Zhang Kaining (2021). *Study on the Competitive Strategy of KY Third Party Payment Company* (Master's Thesis) Kunming University of Science and Technology, China
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD202201&filename=1021741247.nh>
- Zhao Yongsheng (2003). *Analysis of the development strategy of Zhongxing Company* (master's thesis) University of Electronic Science and Technology, China.
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD9904&filename=2003120704.nh>
- Ministry of Statistics and Information of China Machinery Industry Federation (2007) *Analysis and prospect of current foreign trade situation of machinery industry.* China Machinery and Electric Industry (01), 38-42
- Zhou Yi & Zhao Lejing (2014). *Analysis of internal conditions of Yunjing Forest Paper based on function model.* Market Modernization (19), 126-127
- Zhu Chengliang, & Wang Jun (2022). *Current situation and international comparison of R&D investment of Chinese enterprises.* Journal of Technology Economics (01), 24-32
- Zhu Zhongrong (2013). *Research on Development Strategy of North Lingyun Industry Group Co., Ltd.* (Master's Thesis) Beijing Jiaotong University, China
From: <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD201402&filename=1013279086.nh>

