

# Analysis of Countermeasures for Smes to Enhance Their Driving Force in Entrepreneurial Economy

Li Mu

College of Humanities and Sciences of Northeast Normal University, Changchun, Jilin Province 130117, China

254904998@qq.com

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**Abstract:** In recent years, under the guidance of national policies, China's small and medium-sized enterprises have developed rapidly and become an important pillar of the national economy, playing an irreplaceable role in promoting employment and maintaining social stability. At present, under the background of "mass entrepreneurship and innovation" entrepreneurial economy, smes have encountered unprecedented opportunities for development. However, it is not plain sailing for smes on the road of fierce competition and accelerated development, such as the scarcity of entrepreneurial talents, weak independent innovation ability and lack of financing ability. All these constitute inevitable development problems for small and medium-sized enterprises. Under the new economic normal, China's small and medium-sized enterprises should take the opportunity to change, calmly face all kinds of difficult challenges, constantly tap potential, refreshing drive, so that small and medium-sized enterprises really healthy and good development.

## 1. Introduction

In the second session of the 13th National People's Congress, President Xi shows that the Party Central Committee has always paid great attention to find ways for promoting the development of middle and small-sized enterprises. Only by this way can China's economy get an overall development, scientific development and high-quality development. China vigorously advocates innovation, creativity and entrepreneurship. The advocating of "innovation, creativity and entrepreneurship" cannot separate from the middle and small-sized enterprises. Meanwhile such advocating also provides more opportunities and development spaces for the development of middle and small-sized enterprises. This can improve the internal drive of middle and small-sized enterprises so that they can become more powerful and competitive. Thus a strong driving force can be provided for the positive operation of economic society. In this paper, the author makes a study on how to improve the internal drive of middle and small-sized enterprises under the entrepreneurial economy. The author makes analysis from the influential factors of all aspects and proposes reasonable solving strategies and suggestions, which will exert a certain effect on the development of China's middle and small-sized enterprises.

## 2. Connotation of Entrepreneurial Economy and Definition of Internal Drive

### 2.1. Connotation of Entrepreneurial Economy.

Entrepreneurial economy is the regularization, integration and basics of entrepreneurship; it is the economic growth pattern of resource regeneration and productive force development. It is the entrepreneurial economy growth pattern with the substantive characteristics of resource regeneration's productive force development, which is different from the factors allocation growth pattern with the substantive characteristics of resource allocation's GDP growth. It has the characteristics of flexibility, unsteadiness, diversification and novelty.

## **2.2. Definition of Internal Drive.**

“Internal drive” refers to a kind of internal arousal state or tension state which is generated on the basis of needs, which manifests as promoting organism to do activity so as to achieve the internal activity which can satisfy needs and stimulate the internal drive of enterprise’s innovation. It is a kind of huge driving power which is generated inside the enterprise, thus promoting the enterprise to find their development direction and development objective.

## **3. Factor Analysis on China’s Middle and Small-Sized Enterprises’ Improvement of Internal Drive under the Control of Entrepreneurial Economy**

### **3.1. An Extreme Scarce for the Talents of Enterprises.**

The entrepreneurial middle and small-sized enterprises mostly take innovative products and industries as the core. Their dominant competitiveness is to possess the high-level and innovative talents. Talents belong to a part of important capital for enterprise development. The talents have potential creativity and irreplaceability. Therefore the enterprise should carry out the talents attraction countermeasures and constantly store follow-up power to make the enterprise itself more powerful. At present, the talent cultivating mechanism of China’s middle and small-sized enterprises is not perfect; the talent attraction degree is weak. Enterprises don’t make plans for talents’ future career in advance and they have no conception for the cultivation of talents and promotion of connotation. Thus they don’t know their development direction and they only blindly do a part of their work well. For a long time, personnel’s potential is limited. However, with the rapid development of enterprises, personnel can’t rapidly improve themselves; finally the personnel can’t keep pace with the enterprise’s development. The enterprises don’t have enough material and spiritual means to attract more talents. The enterprise lacks enterprise culture so that personnel have a low centripetal force, sense of responsibility and sense of identity to the enterprise, finally causing the loss of talents.

### **3.2. A Relatively Low Management Level of Enterprises.**

Entrepreneurial middle and small-sized enterprises are limited by the scale. The management system is not perfect and leaders attach little importance to the management system of enterprises. Because of small scale, the management method is not clear. At the same time, there are no scientific methods for guidance. For a long time, people will neglect the enterprise’s management. Parts of middle and small-sized enterprises take family-based management mode; most of high-level managers have the relative relations. So in the process of enterprise’s business operation, personnel can’t express their own opinions and learn from others’ strong points to offset their weakness. They will easily make false judgments. In addition, the execution of certain decisions can’t get powerful supervision and control. Such kind of unscientific employment mechanism can’t play a leading role in an enterprise; the whole enterprise will be gradually corrupted. Meanwhile, the personnel can’t see the hope of promotion and they will gradually remain passive and slow down. In the end, the enterprise management will suffer a drastic strike.

### **3.3. A Weak Financing Capacity of Enterprises.**

China’s middle and small-sized enterprises have always suffered a big trouble of “financing”. Although China has already issued some corresponding policies to support the smooth implementation of middle and small-sized enterprises’ production activities and loans, banks will ask a high interest rate from middle and small-sized enterprises when they borrow a loan. Moreover, banks ask the fixed fees, making the enterprise undertake a higher loans cost. So the financing funds which are really put into enterprise’s production have reduced a lot. In addition, entrepreneurial middle and small-sized enterprises lack scale, property, manpower and technology. There is a shortage of things for bank mortgage so that the bank lacks a lending enthusiasm. The banks are not willing to give financing for middle and small-sized enterprise. So the limit of financing credit is relatively low. Although middle and small-sized enterprises have product items with good market

prospect, the projects can't be carried out smoothly because of delay of loans. Meanwhile, economic globalization makes many enterprises battle for market share with each other. Undoubtedly, this will make middle and small-sized enterprises' existence and development become more difficult and still under a difficult circumstance. (Such as Table 1)

Table 1 Average heath index table of middle and small-sized enterprises

Type of enterprise	Share of loans
Large enterprises	> 50%
Middle and small-sized enterprises	< 20%

Government has taken the policy of “retain the large, release the small”, which causes China's middle and small-sized enterprises can't really acquire enough loans. Although government positively coordinates and supervises relevant departments and sets up relevant mechanisms, the government doesn't explore the issues fundamentally. The policy is not put into practice well; even better policies cannot promote the development of middle and small-sized enterprises. Therefore, middle and small-sized enterprises should select loan amount and loan guaranty mode which suits them. The abnormal state of being difficult to loan should be solved from the source of the issue.

### **3.4. A Weak Ability of Enterprise Independent Innovation.**

If a product wants to gain a firm foothold in the market for a long term, the designers need to get rid of the stale and bring forth the fresh, and make innovations repeatedly. Only by this way can we cater the purchasing psychology of customers. This requires the enterprises to have powerful independent innovation ability. Innovation is a kind of activity with huge input and high risks in an enterprise. In terms of the middle and small-sized enterprise itself, it lacks funds for development and the bank can't smoothly serve a loan for middle and small-sized enterprises without any rigor requirements. So the turnover of capital in enterprise's each item faces extra pressure. In addition, a part of capitals are put into the enterprise's production so that the enterprise lacks the innovation funds and they can't research new products to adapt the customers. Meanwhile, innovation not only needs the support of funds, but also needs corresponding excellent professionals. Funds and talents are important; not one of them can be dispensed with. They are all key conditions for innovative activities. Innovative talents should be equipped with special thinking and sharp observation. Their innovative thinking should be superior to others, but the employment system of middle and small-sized enterprises is not attaching importance to virtuous and talented people, but intending to family-based and relative-based management. This will neglect the importance of talents from top to bottom. The encouragement policy is not put into practice and the stimulating method is very single, causing the talents can't see their prospect and hope and finally losing the talents.

## **4. Countermeasures for Improving Internal Drive of China's Middle and Small-Sized Enterprises under the Entrepreneurial Economy**

### **4.1. Establish and Perfect the Employment Mechanism of Middle and Small-Sized Enterprises.**

There are a relatively smaller number of talents in middle and small-sized enterprises, so enterprises should attach importance to perfect their own employment mechanism. They should use their good enterprise culture, reasonable incentive policy, administrative mechanism and relaxed working environment to retain enterprise's talents and attract the new power. People are both positive and passive; this is totally decided by their own internal drive, so the enterprise should make relevant incentive policy to make the personnel change from being passive to positive. Although middle and small-sized enterprises make relevant incentive policies, the policies aren't paid much attention. Furthermore, in contrast with the enterprises of developed areas, the incentive measures of China's middle and small-sized enterprises relatively lag behind, which can't reach the prospected objectives. However, talents of enterprises have certain evaluations to their ability and value in market. Therefore, having no incentive policies can't attract talents and cause the loss of

talents. Human resource is a kind of resource that can be applied flexibly in an enterprise. It is also a most indispensable resource for an enterprise. Being strong of an enterprise's human resources is a key step for enterprise to achieve success. As for middle and small-sized enterprises, only relying on low-cost labor force and managers with low leading quality is not enough to satisfy the requirements of enterprises. Therefore, the enterprise should set up a talent introduction mechanism for the long-term objective, thus improving the quality of the whole team, thinking and motivations. Thereby, the enterprise will become more powerful and go further. We can send far and wide to invite men of ability by means of social recruitment. We can excavate talents with powerful professional ability designedly and specifically through head –hunting companies. We can also reserve forces and save resources though campus recruitment. It is easy to import talents but it is difficult to maintain the talents to work in the enterprises devotedly. Therefore the enterprise should also establish corresponding steady talent mechanism. The enterprise should make personnel see the hope and their grand prospects. The most suitable personnel should be arranged in the most suitable positions, thus providing platform for them to show talents.

#### **4.2. Excavate the Innovative Mode for Management.**

At present, the concept of China's middle and small-sized enterprises is too old. There is excess family-run management thinking and there is no consciousness of innovation. Personnel have unclear responsibility for their job. When facing problems, they prevaricate with each other so that the problems cannot be solved timely. However, enterprises don't provide training for personnel and they don't enrich personnel so that the personnel can't keep pace with the enterprise's development. Finally, enterprise's development falls behind. So the middle and small-sized enterprises should firstly make adjustments and changes internally and establish the management model with their unique style in combination with themselves and society; they ought to get rid of previous "family-based" and "relative-based" management. They need to recruit talents and put them into a key position. The capable person should be put first. Every talented person should not be suppressed and the management model with individual-leading should not be praised highly, thus each manager can express their own views. Finally, the enterprise can absorb the essence and discard the dross, thus making advantageous decisions for the enterprises. Moreover, learning organization should be built up; enterprise's learning ability should be cultivated so as to improve the enterprise's knowledge learning, sharing and innovation capacity and achieving the long-term development objective. Thereby traditional pyramid organizational structure will be gradually replaced by flat organizational structure. A good communication and friendly coordination among departments should be established.

#### **4.3. Broaden Diversified Financing Channels.**

In recent years, China's middle and small-sized enterprises have made great contributions to the improvement of China's national economy growth, tax revenue and employment. However, middle and small-sized enterprises' existence and development still face many problems. Financing is their biggest trouble, so enterprises should take the measure of broadening channels. Firstly, China should protect middle and small-sized enterprises by formulating corresponding laws and regulations, thus making middle and small-sized enterprises develop soundly and steadily. Government must serve as the link and take responsibilities for middle and small-sized enterprises' better financing. Government should vigorously encourage bank and middle and small-sized enterprises to establish long-term cooperation mode and broaden financing channels for middle and small-sized enterprises, thus making banks change from passiveness to imitativeness. Secondly, government should act as the management and supervision personnel and make use of policy to alleviate the relationship between bank and middle and small-sized enterprises. Thirdly, government can give some assistant to middle and small-sized enterprises so that middle and small-sized enterprises and banks will have some cognition for the nation's emphasis on middle and small-sized enterprises. Fourthly, the funds management system should be established. The middle and small-sized enterprise itself is weak, with small scale and little funds. Therefore, it is difficult to form a fund management system which is suitable for them in the earlier and middle stag of its

development. Enterprises lack reasonable plans for the use of funds; enterprises have a low ability for the turnover of capital and debt repayment; moreover, they lack a strict control for debts and they attach over importance to enterprise's current profits; they have no long-term overall arrangement for the use of funds, so the fund use system should be established and perfected, thus the funds of enterprises can get scientific management.

#### **4.4. Create the Enterprise Culture of Independent Innovation.**

Innovation is the key power for life extension of enterprises, teams and products. China has enacted relevant policies for middle and small-sized enterprises' independent innovation, thus alleviating middle and small-sized enterprises' burden and paving way for the new achievements achieved by middle and small-sized enterprises' independent innovation. In order to create an enterprise culture of independent innovation, middle and small-sized enterprises need to make joint efforts with government. First of all, the quality of managers should be improved so that the enterprise can properly understand the culture construction. Most of middle and small-sized enterprises are developed from individually owned enterprises. Leaders' quality is not high; most of them manage the company in accordance with many years' accumulated experience. The behaviors and thinking of enterprise's leaders represent the enterprise's culture and reflect the concept and style of the enterprise. Therefore, the leaders of the enterprise should constantly improve their cultural deposits. They should consciously carry out the cultural cultivation for enterprises in accordance with the enterprise's personal industry characteristics and they are supposed to constantly make innovation and inject vitality for enterprises according to the practical situations. Secondly, the public service platform for middle and small-sized enterprises' self-dependent innovation should be established and perfected. The enterprise should make great efforts to put the policy about promoting middle and small-sized enterprises' culture independent innovation which is formulated by central Party and local government into practice. Moreover, China should also further perfect the policy environment for middle and small-sized enterprises' self-dependent innovation, thus making the policy can be really put into the enterprise and helping enterprise solving problems. Thereby, the middle and small-sized enterprises will not suffer such kind of problems any more. China should set up a public service platform for culture self-dependent innovation, which is more convenient to provide cultural cultivation and technological guidance for middle and small-sized enterprise's self-dependent innovation. Thus the middle and small-sized enterprises will have sites and equipment for cultural cultivation and self-dependent innovation and research. Meanwhile, necessary encouragement and advocacy should be given to service platform so that platform and enterprise can make innovation and interact with each other better.

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