

Analysis on the Factors that Affect the Cluster Development of the SMEs in Jilin Province

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Abstract. Enterprise Cluster is an effective way for the development of SMEs. Because the economic conditions and constraints are different in different countries and regions, the developing modes of SMEs' cluster are also different. Only by identifying the constraints that affect the cluster development of the SMEs in Jilin Province can we select the appropriate developing mode of the SMEs' cluster in Jilin province. This article made deep analysis on the constraints that affect the cluster development of SMEs in Jilin Province from multiple aspects. At last it put forward some countermeasures and suggestions for the cluster development of the SMEs in Jilin Province.

1 Introduction

SMEs' cluster refers to the aggregation of a particular large number of interrelated SMEs and supporting agencies in a geographical space with a leading industry as the core or a value network that has been developed within an industry. The SMEs' Clusters has appeared in different areas and industries in different forms. Their internal relations have been showing a variety of complex relationships. The development of SMEs' cluster is an important economic phenomenon in the world. On one hand its emergence and social development has adapted to the needs of the times, on the other hand it has also provided a more viable option for the survival and development of SMEs.

Enterprises' clusters will create more job opportunities, so as to solve the increasingly serious employment problem in China. While enterprises' cluster will result in the cluster of large amount of population and the massive concentration of population is the basis of urbanization.

Realizing economies of scale will help to optimize the local social structure. To a great extent, the development of clusters can help solving the problems in SMEs' financing, human resources and technology, and promoting the SMEs' healthy and sustainable development.

Enterprises' clusters can also promote the establishment of the domestic regional brand, enhance regional competitiveness, and promote the rapid economic development of the region. And it can promote the establishment of international regional brands and improve their international competitiveness so as to enhance the comprehensive national strength. This has a special significance for the development of SMEs in China as well as the enhancement of international competitive advantages, therefore we should promote the development of SME clusters with great effort.

2 Necessity of Promoting the Cluster Development of the SMEs in Jilin Province

Up to now, the number of terms of SMEs in China has reached more than 4200 million, accounting for 99.8% of the total number of enterprises. The number of registered small and medium enterprises has been more than 4.6 million and the number of self-employed households is beyond 38 million. The value of final goods and services created by the SMEs has accounted for about 60 percent of gross domestic product and 60% of total sales, has paid more than half of the total taxes and has provided about 80% of urban jobs.

In 2009, the number of SMEs in Guangdong Province was 813,400, ranking the second in China. The private economy with the main body of SMEs has produced the added value of 1.670789 trillion RMB yuan. In 2009, the number of small and medium enterprises in Jiangsu Province has

exceeded 100 million for the first time with the number of private enterprises exceeding 800 thousand, and has ranked the first in China for eight years consecutively. The number of new birth SMEs in Jiangsu Province is 156 thousand, providing more than 2 million new jobs. Therefore, the SMEs are playing more and more prominent roles in the social and economic development of Jiangsu Province.

There is big disparity between the development level of the SMEs and private economy in Jilin Province and the national average level. The number of private enterprises in Jilin Province is less than 1/4 of Zhejiang Province's, and less than 1/3 of Shandong Province's. The registered capital of private enterprises in developed provinces is generally 3 to 4 million RMB yuan, but it is only 300 to 400 thousand RMB yuan in Jilin Province. The proportion of employees in the SMEs and private economy has accounted for only 23% of the total in the urban and rural areas of Jilin Province, while the proportion in developed provinces is about 70%. The number of Zhejiang Province has reached 76%. The revenue paid by the SMEs and private economy has only accounted for 23.4% of Jilin Province's revenue, while the number of developed regions has been more than 60%, being the main source of local revenue.

Serious lag in the development of SMEs has had a great impact on the social and economic development of Jilin Province. Therefore, the development of SMEs' cluster is the most effective way to promote the development of SMEs in Jilin Province.

3 Factors that Affect the Cluster Development of the SMEs in Jilin Province

3.1 The Level of Specialization and Cooperation between Enterprises is Low.

The organizational structure of SMEs in Jilin Province is unreasonable. That some companies still retain many features of the planned economy has increased the cost of production. They can not form a complete industrial chain.

The city in the economically developed provinces produces only one or several related products. And their core products have formed a complete industrial chain. Each company burdens only one process, or produces only one component, or even one part. The professional synergy is very obvious. Doing this way is not only conducive to improve the technological level of the equipments, realizing product standardization, universal and serialization, but also is helpful for saving investment, speeding up the production and construction process.

3.2 It is Difficult for the SMEs to Get Loans, Guarantees and Mortgages.

Due to the small scale, poor ability to withstand risks, high failure rate, poor creditworthiness, it is difficult for the SMEs to get business loans, guarantees and mortgages.

The loan conditions are far higher than that of large enterprises. The loan conditions for non-public enterprises are stricter than for public enterprises. Especially after the state-owned commercial banks take credit authorization measures, most banks in the counties do not have much power to give loans, which make it more difficult for the SMEs in the rural township to get financial supporting of long-term or short-term from large state-owned commercial bank. The development of small and medium financial institutions whose target is mainly towards SMEs is very slow. All these have led the SMEs into deep financing difficulties.

3.3 The Intermediary Service Organizations are in Shortage.

Intermediary organizations are the lubricant to ensure the smooth functioning of market economy and are the support system for the SMEs' clusters to operate normally. Its main function is to provide intermediary services for the parties of the transaction in order to reduce transaction costs, especially information costs. If the intermediary organizations can develop rapidly and can provide a service of high intelligence, their activities will help improving clusters' efficiency, and reduce market transaction costs. Intermediary organizations play a crucial role in forming the competitive structure of SME clusters. The transformation cost of market economy is low in China but the cost of transaction is high. Except for imperfect systems, opaque rules, and poor credit status in Jilin Province, the last but not the less is the lack of intermediary service organizations for the SMEs' clusters. Hence the poor operating environment of the intermediary organizations is also an important factor.

3.4 The Industry and Product Levels are Low.

The SMEs of Jilin Province are mostly located in the downstream part of the industry value chain, which is mainly of resource development and labor-intensive. Meanwhile industry-level and technical level is also relatively low. In growing companies, independent research and development foundation is weak. And growing companies are lack of products with independent intellectual property rights. The development of some companies is of low quality, poor innovation ability, and lack of well-known brands. The technology and equipments of some companies are outmoded and they are still in the low-level of extensive management. The overall quality of the SMEs is not high. Meanwhile, some companies are still inefficient and of high consumption and serious pollution. The phenomenon of duplication is serious. Therefore they lack of the capacity for sustainable development.

3.5 The SMEs are Short of Talents and Lack of Innovative Consciousness.

Of all the small and medium enterprises in Jilin Province, many of them lack of the competitive sense of modern management and innovative spirit. Traditional business sense and conservative values exist in these SMEs, which greatly limits the productivity and product competitiveness of the small and medium enterprises. Some of the enterprises lack of technical strength, professional and technical personnel, especially in some key production positions. There are many key technical staffs that need to update their knowledge. Few senior personnel have mastered high technology.

3.6 The Social Service System is Imperfect.

An industry can not exist in isolation, which means that it is closely linked with the upstream and downstream industries. Meanwhile, the formation of the SME clusters is also in need of public information, training, industry-based technology research and development, outreach, public facilities etc, which can not do without these types of intermediary service organizations, such as accounting, law, business management, market research, international trade, vocational training and other services. However, the current situation in Jilin Province is that there are few social service agencies for the SMEs. Meanwhile the scale of the services provided by government and community is so narrow that it only provides the enterprises with a number of financial and accounting knowledge training and solve some of the difficult administrative affairs during the business process for the enterprises. And the government has provided less service to the SMEs in the aspect of cost-effective operations.

4 Countermeasures and Suggestions for Promoting the Cluster Development of the SMEs in Jilin Province

4.1 Play the Characteristic Advantages of the SMEs, Strengthening the Collaboration among the Firms in Cluster.

The diversity of social consumption and imbalance of economic development of the region decide that the social product can not be monopolized by a few large enterprises. The SMEs with the advantages of small and flexible, precisely adapt to the diverse nature of the product market. Therefore, the direction of the development of SMEs should be based on "small and special," "small but excellent", "small and special", emphasizing on increasing specialization in small commodity production and parts processing. To this end, all aspects of government and society should make every effort to help the SMEs to intensify structural adjustment, go along the way of professional production and characteristics operation. To help the SMEs to re-adjust the product's market position, the SMEs should identify the cutting point, provide support services for large enterprises, and strive to establish long-term stable cooperative relations with them. The SMEs need to strengthen the development of new products, new technologies and new market jointly. And the upstream and downstream enterprises should strengthen the support to form a cooperative group.

4.2 Foster Differentiation Strategy and Increase the Innovative Capability of the Cluster Area.

The SMEs should establish the sense of crisis, focus on improving the level of industrial structure and changing the low-cost competitive strategy, and gradually turn to provide customers with unique and superior value and service of "differentiation competitive strategy". Local governments should also pay particular attention to improve the quality of workforce by training, organize Commodities Fair and provide market information services and other initiatives to create and foster industry clusters.

4.3 Rely on Innovative Thinking and Implement Market Driven Force.

Government should give full play to the role of market driven, continuously inject new vigor to the market, and then really change the market from small to big, from domestic to foreign, from tangible to intangible, greatly expanding the product market space.

4.4 Develop the Professional SME Clusters.

State-owned enterprises in Jilin Province occupy an important economic position. Through the combination of the competitive advantage of enterprise clusters and the local comparative advantages, Jilin Province should develop vertical supporting business clusters with the large and medium enterprises as the core and many small businesses providing the outsourcing service. Fierce market competition requires combining the development of the SMEs in Jilin Province and the advantages of industrial development, making use of the advantages of accumulated technology industry, technology talent, management, organizational and other accumulated benefits to develop at a higher starting point. The comparative advantage of Jilin province lies in the general equipment manufacturing industry, transportation equipment manufacturing and agricultural processing industry. In order to adapt to the market to play a flexible, highly specialized, low-cost characteristics, the SMEs should contact with large enterprises and share the market commonly.

4.5 Establish the Social Service System and Enhance the Comprehensive Competitiveness of SME Clusters.

To establish a strong competitive SMEs cluster, a sound social service system is essential. Government-funded information service agencies should provide free information services to the SMEs. Commercial banks should continue to develop new loan types, strive to create the ease financing conditions for the SMEs and explore new ways for the SMEs to loan. At the same time, the government should take measures to encourage the researchers to take part-time jobs in the SMEs, providing the SMEs with advisory services and staff training.

5 Conclusion

Enterprise Cluster is an effective way to develop the SMEs. Because the economic conditions and constraints are different in different countries and regions, the developing modes of SMEs' cluster are also different. Currently, the research work on the cluster development of the SMEs in less developed provinces and regions is still lacking. Jilin Province has been under the planned economy for a long period and its market economy is underdeveloped, therefore it can not simply copy the experience of the SMEs' cluster in economically developed areas, but should work out a unique developing mode of SMEs' cluster by combining with the socio-economic reality of Jilin Province.

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