7 Leap Development Mechanism and Strategy for China Conventional Enterprises

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Abstract: With the method of kinematics, the paper gives a new definition for “leap” and “leap-development”, and suggests that the essential property of “leap” is “acceleration”. By analysis of leap development mechanism, the paper puts forward the leap development strategy and the approach of carrying out the strategy for China conventional enterprises.

Keyword: Leap development mechanism, Conventional enterprise, Leap development strategy

1 The Definition and Principle of Leap

Generally speaking, there are two types of development through technique innovation. One is step-development, which means developing gradually. The other is leap-development, which is the only way for lagging enterprises and developing country to reach leading level of the world, and the history has proved it well and fully. In order to study the rule of leap-development, we must define “leap” first.

There is not a universal definition for “leap”. According to the traditional idea, leap refers to a developing progress that spans some phases by exploring the new technologies and products and improves the competitive capacity, such as the technology development omitting midterm phases.

This article defines leap as a kind of accelerate trend on some aspect of a country or an enterprise due to certain causation.

In order to define “leap” more clearly, this article adopts the method of kinematics for concepting “leap” and “leap-development”.

Mass Point (M) —— an object which its mass is converge to a point, ignore its size and shape.
Distance —— the space that the mass point transited along the movement path.
Displacement (s) —— the space between the initial and later position of the mass.
Velocity (v) —— the rate of change of position along a straight line with respect to time, \( v_0 \) means the primal velocity.
Acceleration (a) —— the rate of change of velocity with respect to time.
Time of Motion (t) —— the time that the mass point spends to generate displacement.
Displacement of Mass Point Formula —— \( s = v_0 t + \frac{1}{2} a t^2 \)

There are the redefinitions of the above symbols in this paper:
M (Mass Point) —— a country or an enterprise.
\( s \) (Displacement) —— the development level in some fields (technology, management, capital, etc.) of a country (an enterprise), \( s = v_0 t + \frac{1}{2} a t^2 \).
\( v \) (Velocity) —— the development speed in some fields (technology, management, capital, etc.) of a country (an enterprise), \( v_0 \) means the primal velocity.
a (Acceleration) —— the rate of change of development speed in some fields (technology, management, capital, etc.) of a country (an enterprise), \( a = \frac{\Delta v}{\Delta t} \). As illustrate in figure 1.
\( t \) (time of development) —— the time that a country (an enterprise) spends to improve its development level in some fields (technology, management, capital, etc.).
It can be explained as following:

1. If $\Delta v > 0$, i.e. $a > 0$, a country (an enterprise) has a accelerating development, leads to the trend of leap development.
2. If $\Delta v < 0$, i.e. $a < 0$, a country (an enterprise) has a decelerating development. When $v_0t < -\frac{1}{2}at^2$, it presents the trend of depression.
3. If $\Delta v = 0$, i.e. $a = 0$, a country (an enterprise) has a gradually development.

The change of developing speed will be over zero ($\Delta v > 0$) when technology has a accelerating development which brings the shorter update period, or spans some phases of development. This is the principle of leap.

2 The Mode of Leap Development

According to the definition of leap above, the paper defines leap development as following: if a country or an enterprise makes accelerating development or gets more competitive ability for some reason, we call it leap development.

We have three ways (reasons) of leap development:

1. **Technique-leap**: if a country or an enterprise makes accelerating technique development for some reasons, we call it technique-leap.
2. **Management-leap**: if a country or an enterprise makes accelerating development in management status for some reasons, we call it management-leap.
3. **Capital-leap**: means a country (an enterprise) that accelerates capital development for some reasons.

The process of capital development is illustrated in figure 2:

Any way of technique-leap, management-leap or capital-leap will lead to leap development. Thus, advanced management, widen capital channel and competitive technologies, which is the way for backward enterprises or countries reach the advanced level.

In order to develop business, managers should make the right strategic decisions. China enterprises have to find a short way to develop. Whatever in newly high-tech field or traditional industry and commercials field, Chinese enterprises are in low level comparing with the developed country enterprises. The status forces China enterprises to break the outdated rules to develop themselves faster. To increase the developing speed and shorten the distance between Chinese enterprises and those of developed counties, Chinese enterprises should take advantage of their resources and the policies of state.
enterprise, which keeps step-development will lose the competitive ability to compete a place in the worldwide. We believe in the leap development. The leap development is the only way to increase China enterprises’ competitive ability.

Two steps can realize leap development. The first step is to make our enterprises keep up with the developed countries. The next step, Chinese enterprises will become the leaders of the world businesses. No doubt, the first step is the basic one for the leap development.

3. Leap Development Strategy for Conventional Enterprise

The leap development strategy for China conventional enterprise is “Leap Development = introduction + innovation”. “Introduction” means taking all advantages of other countries. “Innovation” means achieving more competitive ability by using self-advantages.

By introduction of other countries advanced techniques, by using self-advantages, China conventional enterprises can take “leap development”.

The mode of “introduction + innovation” is economic for conventional enterprise. The main restriction for China conventional enterprise is capital shortage. By using of “introduction”, conventional enterprise can avoid the investment risk of R&D. Imitators can often use the following study effect to gain the potential advantage by transferring the leader’s technology, and then win the advantage of low cost, which is shown in figure 3.

![Figure 3 Comparing of leader and imitator](image)

China conventional enterprises have three competitive advantages: low labor cost, low technique purchasing cost and plenty of market demand. These advantages form the base of leap development for China conventional enterprises, which means “innovation” for China conventional enterprises.

The mode of “introduction + innovation” can improve competitive competence of enterprise rapidly. Enterprise can realize leap development by introduction and innovation, and can strengthen basic competitive competence of enterprise by studying the advanced technology and successful experience of the leaders, accumulating experience in technique and management. Technique accumulation generally means to accumulate on enterprise knowledge and technique. After the World War Two, Japanese enterprise improved its competitive competence continuously by introducing advanced technology from occident, then putting its main technology power into improving on techniques, perfecting on product performance, producing in great batch, controlling quality and marketing etc., that made it leap to the leader’s status in the market.

4. Approach for Carrying out Leap Development Strategy

The approach for carrying out leap development strategy is purchasing overseas mature technology. The overseas conventional enterprise will no longer get high profit as the beginning of the industrial revolution. Because of the expensive labor cost, they gradually transfer their manufacture center into developing countries or import directly from developing countries. There are three reasons for us to advocate purchase mature technology:

First, the cost of purchasing technology is close to zero (the mature technology in developed
countries is easily imitated by developing countries, thus, developed countries are unable to raise the price), and the risk is also close to zero.

Second, conventional enterprise involves the industry of the national economy and people's living; the demand of inside and outside our country is relatively stable.

Third, in developed countries, automation degree is low, labor cost is high and the profit is relatively low, thus, conventional enterprises lack of developing motivation. However the situation in our country is just reverse, labor cost is low, automation degree is low, and it is suitable for China conventional enterprises to purchase mature overseas techniques.

The demand that conventional enterprise confront with has the character of diversification from high level to low level. For example, the clothing and food, people with high, middle and low income have continuous demand, only because the different income leads to diversified demand. People with high income usually have high level demand, they can afford name brand and purchase product from big emporium; people with middle income sometimes can purchase high level products, their average consumption level is in the middle; people with low income can buy high level product occasionally, they often go to wholesale market and little shops to buy cheap products at ordinary times. What worth paying attention to is because conventional product demand belongs to living demand, conventional product demand changes little with economy prosperity index change, and it is lacks of demand elasticity.

Another important thing we should indicate is: China conventional enterprise must realize leap development by depending on technology introducing, digesting, absorbing and creating. If we introduce only and don’t make any innovation, we will get into the chasing trap of “introducing lagging-introducing again-lagging again”, have no competence to creation and can not occupy the inside track of commercial competition.

5. Conclusion
1) China conventional enterprises have three competitive advantages: low labor cost, low technique purchasing cost, plenty of market demand. These advantages form the bases of leap development for China conventional enterprises.
2) The leap development strategy for China conventional enterprises is: “leap development = introduction + innovation”. “Introduction” means taking all advantages of other countries. “Innovation” means achieving more competitive ability by using self-advantages. By introduction of other countries advanced techniques, by using self-advantages, China conventional enterprises can take “leap development”.
3) The approach for carrying out conventional enterprise strategy is purchasing mature techniques in developed countries.

Reference