

Research on the Acquisition of Development Resources and Capabilities of SMEs: Based on the Perspective of Value Chain Separation and Reorganization

Guixiang Zhang

College of Business, Guizhou Minzu University, Guiyang, 550025 China

Keywords: Enterprise value chain, Separation and reorganization, Resources and capabilities, Small and medium-sized enterprises, Competitive advantage

Abstract: As the premise and guarantee of establishing the enterprise core competitiveness and competitive advantage, resources and capabilities are the dominant factors restricting the healthy and rapid development of small and medium-sized enterprises (SMEs). In this paper, based on the methodology of external development resources and capabilities acquisition by SMEs, the analysis on the structures and characteristics of enterprise value chain promotes the proposals of the method for SMEs to establish the competitive advantage by integrating external resources and capabilities through the separation and reorganization of value chain, and the suggestions on how to use this method to acquire resources and capabilities for SMEs.

1. Introduction

Resources and capabilities as the premise for enterprises to establish core competitiveness and competitive advantage are very limited for most enterprises, especially for SMEs, and the traditional way for enterprises to accumulate resources and abilities only by their own strength and conditions has been insufficient to adapt to the rapidly changing market competition environment and win the market competitive advantages, while it also requires to acquire the external development resources and capabilities, thus adapting to the requirement of fierce market competition. Therefore, aiming at the methodology of external development resources and capabilities acquisition, the ways and methods of integrating and acquiring external development resources and capabilities through the separation and reorganization of enterprise internal value chain are proposed in this paper.

2. Theoretical Basis

2.1. Resources and Capabilities of Enterprises

Resources refer to the input in the process of enterprise production and operation, such as capital equipment, patented technology, staff skills, financing and talented managers, while capability refers to the ability of integrating and using various resources to accomplish a task or activity [1]. Michael A.Hitt believes that resources and capabilities are the basis and premise for an enterprise to constitute core competitiveness, but the competitive advantage can only be created by the mutual cooperation of resources rather than a single resource [2]. The theoretical demonstration and enterprise development practice both prove that the survival and development of an enterprise in fierce market competition must be equipped with certain competitive advantage that must depend on the establishment of enterprise core competitiveness that requires enterprises to have necessary resources and the capabilities of resource integration and effective utilization, so the acquisition of resources and capabilities are the premise and guarantee for enterprise to win competitive advantage and realize sustainable development, thus it is really necessary for SMEs with limited internal resources and capabilities to acquire the external development resources and capabilities.

2.2. Value Chain and Its Separation and Reorganization

The concept of value chain firstly proposed by Prof. Michael Porter of Harvard Business School in the book *Competitive Advantage* says that the value creation of an enterprise is constituted by a series of activities, while these different but correlated activities constitute a dynamic process of value creation, that is, value chain [3]. According to Porter's value chain theory and enterprise production practice, the value chain of an enterprise generally includes many links, from product idea, product R & D, semi-finished product production, finished product production, marketing promotion, and distribution channel to after-sales service, as shown in the figure1:

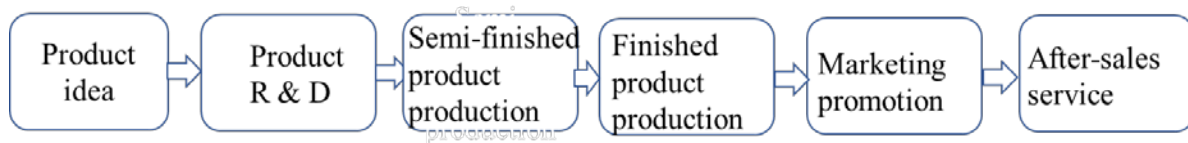


Figure 1: Enterprise value chain

According to the value chain theory, the separability of value chain means that the links of an enterprise's value chain can be separated and reorganized to realize the acquisition, allocation and effective utilization of resources [4]. In reality, the always limited resources make it impossible for enterprises to have high-quality resources and excellent capability in each link of value chain, so most of SMEs concentrate on one or several links of value chain for production and operation, with some production and operation links outsourced. The available separation and reorganization of value chain can provide possibility for the acquisition of resources and capabilities by enterprises.

3. Examples of Resources and Capabilities Acquisition by SMEs through Separation and Reorganization of Value Chain

3.1. Case Study

With the lack of resources and capabilities in scientific research, design, production equipment and others, Guizhou Fanjing Tianxin Biotechnology Co., Ltd as one small and medium-sized enterprise engaged in the development of healthy lily industry has acquired various resources and capabilities by using the innovative method of value chain separation and reorganization, so a series of products was developed and put on the market in a very short period, thus achieving good market efficiency. The specific method of acquiring resources and capabilities to develop products through the separation and reorganization of value chain is shown in the following Figure 2:

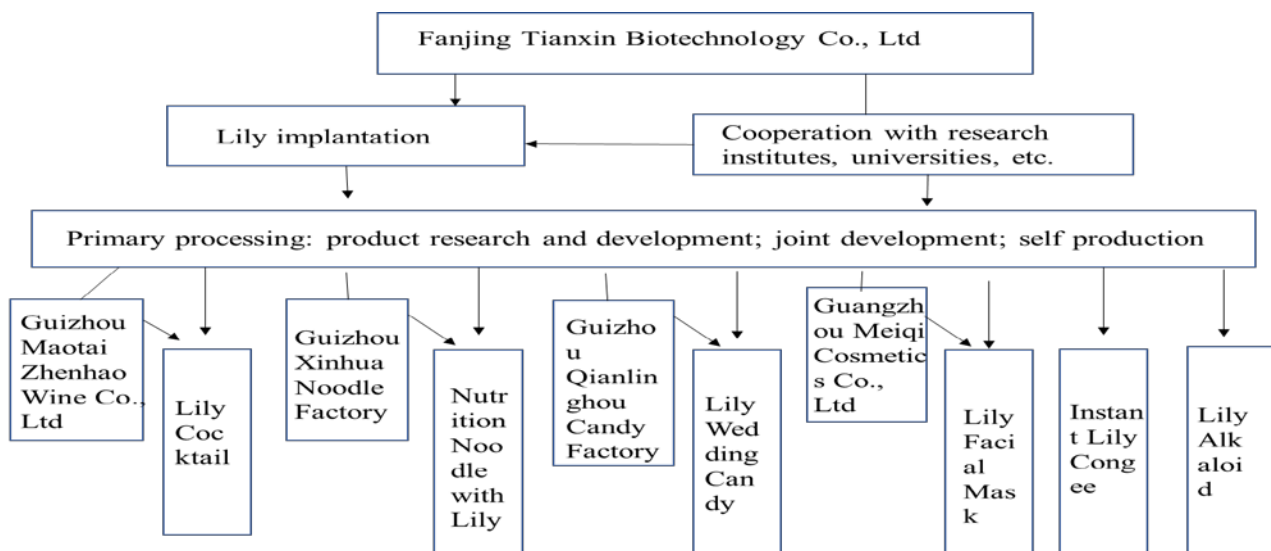


Figure 2: An enterprise acquires resources and capabilities for product development through value chain splitting and reorganization

The inability of the company as the newly founded agricultural biotechnology company to satisfy the conditions of product innovation in short period with its own resources and capabilities in capital, equipment, personnel and technology has promoted it to use the separation, optimization and reorganization of value chain to solve the above issue. As shown in figure 2, first, based on the separation and reorganization of value chain as well as the certain benefit coupling mechanism, the industry-university-research institute collaborative innovation platform with the participation of scientific research institutes, universities and other institutions and units inside and outside the province is initiated and founded by this company, where the key scientific research and technical problems of lily series product research and development in figure 2 are solved; then, without the resources such as relevant factory, equipment, production qualification, skilled technicians etc., and the capabilities such as the specific production technology, process management, etc., how does the company develop the developed products? As shown in figure 2, the company carries on the resource integration to acquire the necessary external resources and capabilities for product

development through the separation and reorganization of value chain as well as the benefit coupling mechanism. The integration and acquisition of relevant production equipment, equipment resources and production process, production experience and knowledge, production skills and other capabilities of these professional production plants are based on these strategic cooperation and joint development and production, so as to realize the product innovation that competitors in the same industry cannot achieve by relying on their own resources and capabilities in the market, construct its own core competitiveness and win the relevant market competitive advantages, thus realizing the rapid and healthy development of the enterprise [5].

3.2. Enlightenment from the Case

In the above case, with the lack of resources such as scientific research instruments, laboratories, talents, etc., the "product R & D" as a top link separated from the value chain is jointed with research institutes, universities and other institutions according to the designed certain benefit coupling mechanism through the establishment of the industry-university-research institute collaborative innovation platform, and then integrated into the value chain of company to acquire the required research resources and capabilities. Similarly, in the absence of production conditions for new products, the company can be based on the designed certain benefit coupling mechanism to cooperate with external enterprises having relevant resources and capabilities by the separation and reorganization of value chain, so that the value chain front-end such as market research, product idea, product development and product design of each new product is integrated with the semi-finished product production, finished product assembly and other links of various external companies to form a brand-new value chain with market competitiveness. The success of the above case indicates that the SMEs with the lack of resources and capabilities can acquire the resources and capabilities to make them survive in market competition and obtain sustainable development through the separation of their own value chain and the reorganization with external resources based on the certain benefit coupling mechanism.

4. Suggestions for Resources Acquisition through Separation and Reorganization of SMEs' Value Chain

4.1. Transform Management Concept and Implement Open Cooperation Based on the Separation and Reorganization of Value Chain

The management concept of entrepreneurs or senior managers plays a decisive role in enterprise development. Some entrepreneurs or senior managers interpret the idea of "self-reliance and hard struggle" as the total dependence of enterprise development on their own resources and capabilities, thus it is easy to develop into the management concept of "an isolated company" to resist open cooperation; some entrepreneurs or senior managers also refuse the open operation due to the concern on the damage to their own interest. However, at present, the economic globalization and the changing sci-tech have pushed the open cooperation and resource integration to be an effective way for enterprises to carry out efficient innovation, develop rapidly and healthily, and gain competitive advantage. Therefore, for entrepreneurs or senior managers of SMEs, only by transforming original management concept and vigorously promoting open cooperation can we

effectively integrate external resources and capabilities through the separation and reorganization of enterprise value chain, thus learn from others' strong points to make up for our own shortcomings.

4.2. Scientific and Reasonable Benefit Coupling Mechanism Is the Guarantee for Resources and Capabilities Acquisition through the Separation and Reorganization of Value Chain

The scientific and reasonable benefit coupling mechanism is the key premise and implementation guarantee for enterprises to acquire external resources and capabilities by the separation and reorganization of value chain. The ownership of these external resources or capabilities available for integration and utilization in society does not belong to the enterprise itself, so an effective benefit sharing and coupling mechanism must be required to obtain the above resources or capabilities. Therefore, only by holding the mentality and principle of cooperation and win-win enterprises, comprehensively considering and designing the benefit sharing and coupling mechanism between enterprises and external relevant cooperative units, effectively communicating with the relevant cooperative units to reach a consensus can we effectively carry out the acquisition of external resources and capabilities by the separation and reorganization of value chain. Then, designing the scientific and reasonable benefit coupling mechanism is the guarantee for resources and capabilities acquisition through the separation and reorganization of value chain.

4.3. Determine the Method of Value Chain Separation and Reorganization According to Its Own Situation

The differences in specific characteristics and modes of value creation caused by the different specific situations of enterprises result in the various and changeable methods for enterprises to obtain resources through the separation and reorganization of value chain. The entrepreneurs or senior managers should be based on their own development direction, goals and specific situation to make clear the resources and capabilities required by the achievement of their own development goals, and then further consider and clarify from which units or departments to obtain these resources and capabilities, so as to design the relevant scientific and reasonable benefit sharing and coupling mechanism. These problems will be different due to market competition environment and enterprise's own situation, so each enterprise should be based on sufficient market research and competition analysis to determine the method and strategy of value chain separation and reorganization according to its own situation.

5. Conclusion and Prospect

Lacking the resources and capabilities as a dilemma for the development of SMEs, especially those in the initial stage makes it difficult for them to achieve healthy and rapid development. In this research, by conducting the theoretical demonstration and practical case verification on the effectiveness, feasibility and necessity of value chain separation and reorganization for SMEs to obtain external resources and capabilities, it is suggested that entrepreneurs or senior managers of SMEs should transform their concepts to carry out open cooperation based on value chain, design the benefit coupling mechanism as the guarantee for value chain separation and reorganization to acquire resources, and formulate the method of value chain separation and reorganization according

to the enterprise's own situation. In this era, the rapid change in external environment of enterprises and fierce market competition have promoted the separation and reorganization of value chain to be an effective way for SMEs, especially those in the initial stage to acquire resources and capabilities, so as to establish their own competitive advantages in market competition.

References

- [1] Lu, J.W. and Beamish, P.W. (2001) *The Internationalization and Performance of SMEs. Strategic Management Journal*, 22, 565-589.
- [2] Hitt, M. (2005) *Strategic Management: Competition and Globalization. Translated by Lyv Wei, China Machine Press.*
- [3] Porter, M. (2012) *Competitive Advantage. Translated by Li Mingxuan, et al., China CITIC Press.*
- [4] Krajewski, L.J. and Ritzman, L.P. (2007) *Operations Management - Process and Value Chain (7th edition). Translated by Liu Jin, Xiang Zuochun, Posts and Telecom Press.*
- [5]. Zhang, G.X. and Hu, Y. (2016) *Path Selection for Development and Product Innovation of Special Healthy Food. Review of Economic Research.*