

# Analysis of Application and Significance of Management Innovation Based on the Cases of Contemporary Chinese Enterprises

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**Abstract.** Under the integration trend of world economic development and the current economic new normal, the development of domestic enterprises must face more challenges while having more opportunities. The application of enterprise management innovation can promote the improvement of the comprehensive competitiveness of enterprises. The number of domestic enterprises is large and increasing year by year, but in general, the overall management level of enterprises is low, many problems need to be solved urgently and there are still many blank areas to be explored. This article will analyze the importance and practical application of enterprise management innovation to enterprises, and point out the problems and blank areas that will arise in the practical application of management innovation. and put forward reasonable suggestions.

**Keywords:** Management innovation, review paper, application.

## 1. Introduction

### 1.1. Concept and Development of Management Innovation

The idea of innovation was introduced by economist Joseph Schumpeter in 1912 in his book "The Theory of Economic Development" as the first book to explain and elaborate on the emergence and development of capitalism using the theory of "innovation", which he defined as He defined "innovation" as the creation of a new production function through the "recombination of the factors of production". In order to achieve "innovation", a company needs to introduce new production combinations from which potential profits can be obtained. The theory classifies innovation into five categories: product innovation, process innovation, market innovation, resource allocation innovation, and organizational innovation, based on the product itself, the production method, the sales market, the source of supply, and the organizational structure. Based on Schumpeter's basic view, he believes that innovation is endogenous to the production process. Secondly, he believes that innovation is a "revolutionary change" and emphasizes the sudden and intermittent nature of innovation; furthermore, in the current increasingly competitive economic environment, innovation brings. In addition, the "new mix" of innovation means that companies or organizations need to abandon old methods and theories and adopt new models in the competitive process; finally, new tools and methods need to be able to create new value before they can be called innovation.

As we enter the information age, the concept of Innovation 2.0 has come companies the opportunity to innovate, and its principles are transformed into a "human-centered, service-oriented, application- and value-based" innovation format. The knowledge society and the rapid development of information and communication technologies are the two necessary factors for the formation of Innovation 2.0, building a double helix model, i.e. the combination and co-development of technological progress and applied innovation. Technological advancement provides the conditions

for innovation to occur, while innovation promotes technological advancement in return. Together, they shape a new era characterized by open innovation and increased public participation.

## **1.2. The Application of Management Innovation in the Current Environment**

The demand management innovation stems from the necessity of practicing scientific development paradigm. Management innovation is the intrinsic requirement of enterprise development. The pursuit of profit maximization and development is the exposure goal pursued by any enterprise. Therefore, enterprise management innovation to a certain extent around this center, to a certain extent, it can be said that management innovation is the internal demand of enterprise development, this demand is reflected in all aspects of enterprise management. Now, with the rapid development of economic globalization, innovation must adapt to the requirements of the new era. Without a spirit of understanding and collaboration in managing innovation, progress will stall. Therefore, innovation management should have the spirit of understanding and cooperation.

The cost of raw materials is high, but most companies have not yet innovated in this area and are bound to take risks everywhere when the environment changes without preparing in advance. Therefore, the innovation of some enterprises has led to the innovation of two kinds of technology, one is the technological innovation of silicon material, and the other is the technological innovation of silicon chips. Each success is to find the competitive advantage brought by innovation in the strategic mode of "cost leadership". In 2009, due to tight market demand, the price of silicon raw materials rose sharply. GCL-poly innovatively adopted the "cold hydrogenated Siemen method" to reduce the cost of silicon materials by half. During the same period, LDK continued to reduce average costs by expanding capacity in conventional processes. Trina Solar threw away 200 million yuan in advance to develop the downstream industry. This led to the subsequent business growth of GCL-POLY, and the stock price increased by 150%. Trina Solar became the leader of the downstream, and LDK eventually went bankrupt and restructured [1].

## **2. Main Body**

### **2.1. Association Between Traditional Management and Management Innovation**

The life cycle of an enterprise includes establishment, development, and death. If an enterprise still uses traditional management concepts, systems, and technologies to keep its most important core technologies or leading products behind, the enterprise will fall into a trough of development. Only according to the original management system to innovative reform, according to the traditional management ideologic to targeted update, according to original technology to pioneering development, enterprises can go through the trough period, obtain regeneration, and maintain market competitiveness forever. In a certain sense, innovation management is a process of experiment-correction-improvement according to the actual situation of the enterprise and the original enterprise management. At the same time, managers should be good at using traditional management plans as a reference, adjusting inappropriate aspects in time, and avoiding major mistakes in innovation.

### **2.2. Motivation of Enterprise Management Innovation**

#### **(1) External factors**

Management innovation has become the focus of the current theoretical and industrial circles since it fundamentally solves problems such as organizational rigidity and backward management, and systematically improves organizational efficiency (Xiang, 2020) [2].

Another important environmental factor is the transition of the economic system and the nature of enterprises has gradually changed. Management innovation is the product of market economization and economic globalization, so it requires enterprises to have unique core competitiveness; at the same time, economic globalization leads to the nationalization of competition. It also requires that enterprises in each country must keep pace with the times to adapt to the dual development of international and domestic. With the improvement and perfection of the socialist market economy

system, the market economy occupies a major position in the allocation of resources. Therefore, the external environment provides opportunities to implement management innovation and at the same time makes companies clearly understand the importance of innovation in the current Chinese economic situation. (Fu Q., Xie W. & Zhang N, 2019) [3]

Moreover, in the context of the knowledge society, enterprises need to update their management system to better adapt to the development of the times and the trend of information-based production.

(2) Internal factors

According to Fu, Xie & Zhang (2019), enterprise management innovation motivation includes improving enterprise performance and improving organizational legitimacy. [4] management innovation can help companies effectively share risks. It is a wise and high-quality choice for companies that want to improve their production and operation conditions. Innovative enterprise management concepts can also expand capital for enterprises, increase informatization construction, optimize enterprise resources, and better obtain economic benefits. In the traditional enterprise marketing model, the distribution channels are long, and the speed of information feedback is too slow, which is obvious disadvantage. To break the shackles of the traditional marketing model, enterprises must carry out management innovation to build enterprise network marketing, improve the speed of enterprise marketing and information feedback, and transform the marketing model.

To be a new type of enterprise with more sustainable development prospects and more profits has also become the purpose of management innovation for many enterprises, and specific technological innovation and management system innovation can enable enterprises to have a certain monopoly position in materials, save costs, then form competition. Innovation can let companies be recognized in the market and won a good reputation in the industry and customers and develop more raw materials that can meet market demand, expand customer base and industrial scale. Management innovation can also better help companies grasp their development strategies and directions, help them become industry-standard makers, and help them quickly respond to market demands, adjust production types, and form their market positioning. The most direct technical manifestation of management innovation is product innovation, which can meet the diversified and individual needs of the market and consumers to the greatest extent and enhance the importance of enterprises in the market and the rationality of operation.

### 2.3. Application of Management Innovation

(1) Implementation steps

After introducing the new management concept, the enterprise innovates the management system according to it, then adjusts or creates the quality, quantity, and process of various production factors. The specific steps can be summarized in Figure 1.



Figure 1. The specific steps of management innovation

(2) Case Study

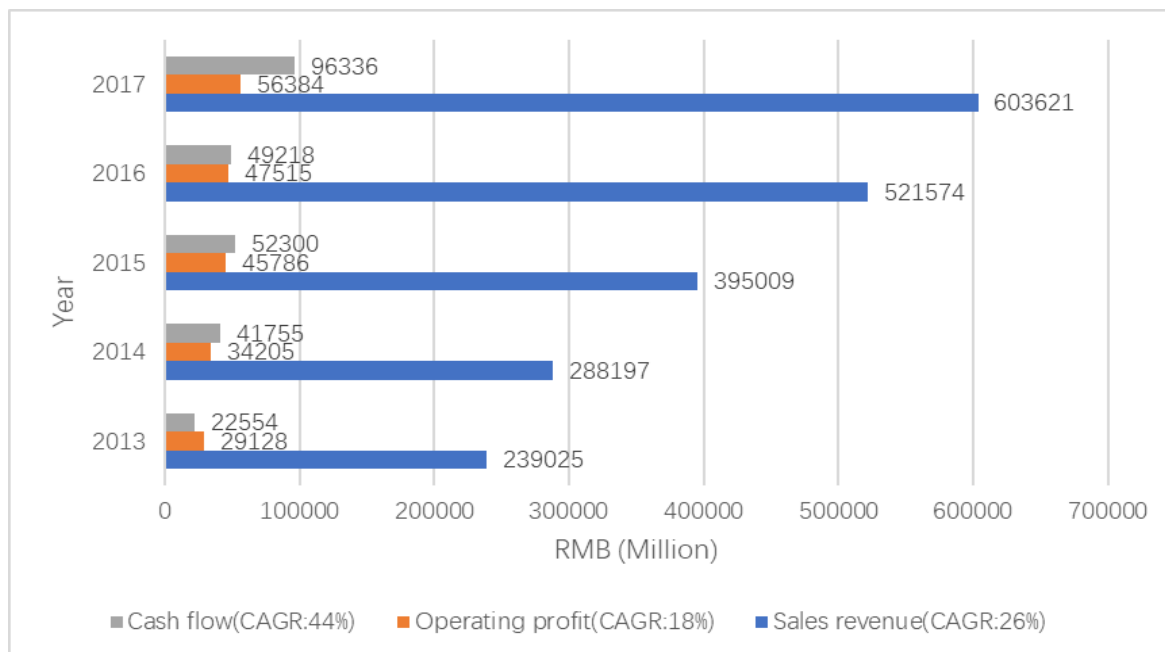
The following three case studies will illustrate the measures and significance of enterprise implementation of management innovation.

a. The case of Huawei

With the unprecedented development of the economy and society, the survival and development of enterprises with the fierce market competition are more and more integrated into the international market environment. If enterprises want to be invincible in this environment, they must keep pace with the times and continuously deepen the reform of their enterprise model (Ma, 2018) [5].

On the issue of how to achieve organizational innovation, Huawei, as a leading enterprise in the ICT industry, has fully embodied innovation management within the company and has a significant impact and influence on the development. In the report of Huawei's *Innovation and Intellectual Property White Paper*, it is mentioned that Huawei's "Iron Triangle Innovation Management Model" is a customer-facing team composed of account managers, solution experts, and delivery experts, who are responsible for a series of processes including the communication with customers in the early stage, product involvement in the middle stage and delivery in the late stage. Such an innovative concept is reflected in Huawei's Rotating CEO System. This innovative leadership model replaces the practice of a single CEO in power by implementing a rotating CEO system (EBR., 2015) [6]. In terms of leadership management, Huawei has proposed an innovative management model of the "Iron Triangle" - that is, a team composed of AR (Account Responsibility) for customers, SR (Solution Responsibility) for products and solutions, and FR (Full responsibility) for delivery. Responsibility for customers, SR (Solution Responsibility) for products and solutions, and FR (Full responsibility) for delivery, which is responsible for communication with customers in the early stage, product involvement in the middle stage, and delivery in the late stage. The team covers the three core business systems, which can effectively solve the problems of cross-departmental cooperation such as direct departmental fragmentation, poor communication, and information asymmetry.

Huawei has also made innovative breakthroughs in enterprise operation management, choosing LTC (Lead to Cash) as Huawei's internal process system, which refers to adjusting to an end-to-end process based on the sales cycle (starting from when a customer has an intention, or sales lead, until payment is received from the user), so that it can better meet the increasingly complex needs of users, deliver, improve the operational efficiency of the entire organization and faster market response to enhance product delivery. Advocating a process-oriented approach to business management, any business activity is guided by a clear structured process, to achieve a coherent sales process across the board. Huawei started LTC process change in 2009, from lead to remittance, end-to-end through the main business flow of the company's operation, carrying the company's largest logistics, capital flow, and human input. Therefore, the LTC process is not a simple process optimization, but a business process reconstruction from the customer's perspective, which puts the "customer-centric" idea into concrete management methods. This innovative production process management can free employees from a large number of simple and repetitive tasks and devote them to more valuable work. Through LTC's innovative management, the company has perfected and promoted the "Iron Triangle" organizational management model, thus building a front-line collaborative operation unit that is close to the market and focused on customer needs, enabling the company to sensitively perceive and grasp the changes in the market and customers, and provide customers with a comprehensive and integrated quality experience from beginning to end through the collaboration of multiple departments, thus ultimately realizing efficient and optimized operation and sustainable development of the company (Wang, 2022) [7]. After the management system innovation, Huawei's various financial data areas Figure 2, showing an overall growth trend.



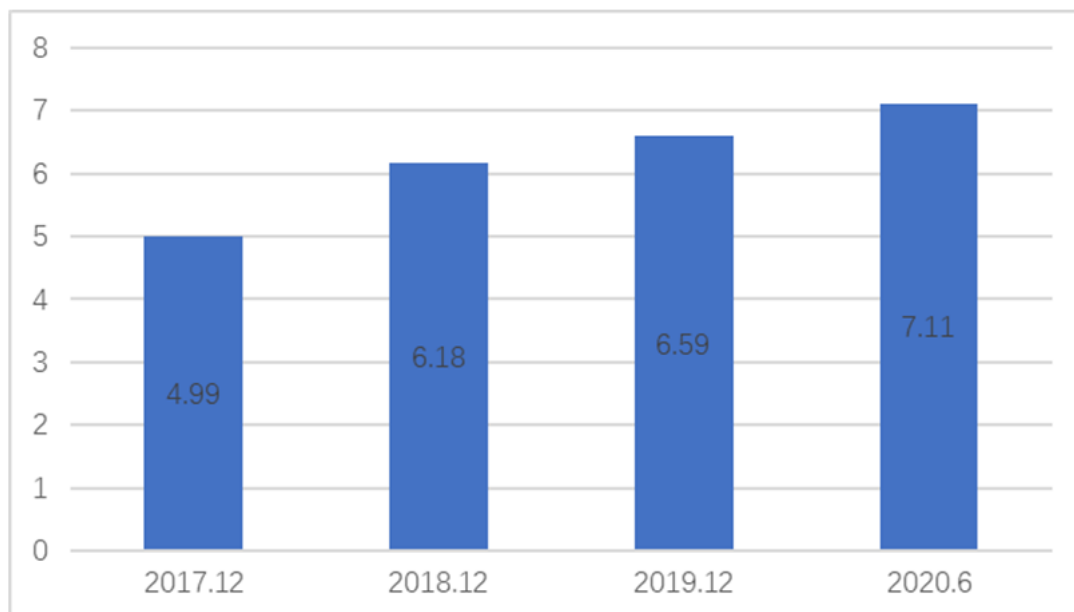
**Figure 2.** Sales revenue, operating profit and cash flow statistics (RMB million) of Huawei from 2013 to 2017 were extracted the News Center

#### b. The case of Alibaba

The management objectives and management methods of today's enterprises have new situations. Many managers feel that some management methods and thinking which have been regarded as effective for many years can no longer play a good role. This is urgent entrepreneurs are required to speed up updating their concepts and promote faster development of enterprises with new management concepts (Yang, 2007) [8]. The old thinking in management was that numbers were the only way to measure a company, so there was no way to get out of your comfort zone for the greater good. According to Why to Carry Out Enterprise Management Innovation (2021), as The Times continues to develop, this old concept will only become more and more unacceptable, and subsequently eliminated. However, if an enterprise wants to get better returns from innovation, it can first establish a correct innovation concept. Break the shackles of traditional ideas, change ideas, be bold and innovative, and observe new things [9].

Since 2013, Alibaba has embarked on the road of diversified development and has blossomed in media entertainment, local life, and offline retail through strategic investment. Therefore, the company has sufficient resources to make strategic investments. After years of development, Ali Group has formed a business structure with cloud computing, Ant Financial, Cainiao logistics as the infrastructure, core business as the profit core, entertainment media, innovation business as the flow supplement, and future growth points. Alibaba's domain has extended to all aspects of life. In the future, with the rapid development of the Internet, it may involve more fields, and we may be inseparable from Alibaba (Bayinmonk, 2010) [10].

Jack Ma, Alibaba's founder, often steps out of the ordinary to see what the world and the Internet will be like five, ten, or more years from now. At that time, Ma Yun's advanced concept, so that Ma Yun in the Internet entrepreneurship was, a great success. When Taobao was first established, many banks were reluctant to cooperate with Alibaba, and there was no concept of online banking at that time. Alibaba went out of its way to create a payment tool called Alipay. According to China Business Industry Research Institute, Figure 3 shows that Alipay is one of the most important payment tools in China. Banks' unwillingness to cooperate at the time helped Taobao to accelerate its growth, and it now has a complete payment system. Alibaba is brave enough to explore the bottom line of financial regulation and establish Alipay, a third-party payment platform, to break the barriers of trust in transactions and make online shopping more convenient. Now Alipay is expanding its field in finance, constantly using the Internet to subvert the traditional banking and financial business (Lu, 2017) [11]



**Figure 3.** Statistic of monthly active users of Alipay APP in 2017-2020

c. The case of Haier

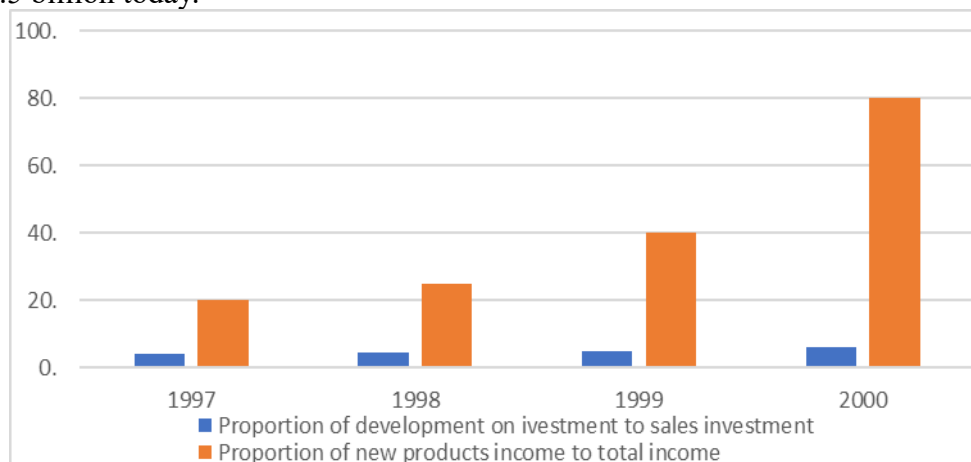
With the development of the era, all walks of life in today's society have begun to use new technologies, which have a great impact on the application in various fields. All enterprises should develop their technologies to meet the needs of the market. Innovation in specific technical methods can be discussed from three points: element innovation, element combination innovation, and product innovation.

After Haier realized that developing their technical methods is based on gathering all elements in 1985, the first thing they focus on is to awaken employees' the awareness of quality and market, and set up an international certification center and a testing center to ensure that the materials pass the customs and industrial standard. Because of their higher quality, Haier refrigerators were snapped up at all the sales places in Beijing, Shenyang, and Tianjin in 1986. The WHO conducts bidding in 1987, it won the bid from more than ten countries' refrigerator products. In December 1988, Haier refrigerator won a gold medal with the highest score in the China refrigerator competition, at this time they establish a leading position in the refrigerator industry in China. Even in 1989, when the Chinese electrical appliance market experienced a great depression, Haier refrigerators still sold well despite a 12% price increase and won the market.

Regarding element combination innovation, Haier is one of the earliest companies which offer warranty and after-sales service, and for this, they set up a production research institute and production line technical transformation team which aims at reducing costs to achieve price advantage, and because of the setting of the 2 departments, the unique production technologies by them have been quickly promoted and make a difference to the world electrical field. In 2007, Haier's overall share in China's appliance market had reached 25%, ranking first. In the fields of smart home integration, network appliance, digitalization, large-scale integrated circuits, and new materials are all at a leading level in the world.

Haier set up a product development center to provide more competitive products in the market continuously and expand the market share of its brand. At the same time, according to the market future needs to plan the development and sales of technologies and products in the long-term. In 1999, Haier reached 21.5 billion yuan of industrial sales income, earned 138 million yuan in foreign exchange, and the global turnover achieved 26.8 billion yuan. According to Baidu data: As of 2011, Haier has applied for a total of 12,318 technical patents or authorized 8,350 patents; submits 77 international standard proposals, of which 27 have been released and implemented with the largest number of patent applications and international standards. In the field of global white goods, Haier is growing into an industry leader. The product group has developed from 27 categories, more than

7,000 specifications and varieties before to 58 categories, and more than 9,200 specifications and varieties today. In 1999 and 2012, Haier was called the fastest growing home appliance industry in the world by the American Household Appliances. Figure 4 illustrates that the enterprise had a deficit of 1.47 million when it was established in 1984, and has become a large-scale industry leader with a value of 26.5 billion today.



**Figure 4.** Proportion of development on investment to sales investment and proportion of new products income to the total income of Haier

#### 2.4. Management Innovation Existing Problems

Despite companies should invoke new innovative ideas when considering the ever-changing external environment, there are still some problems in the practical application of management innovation.

Firstly, some companies are affected by traditional management concepts, resulting in a serious lag in the current management system and thinking, and the lack of independent innovation and pioneering within the enterprise, which will make these enterprises unable to keep pace with the times and provide enterprises with a good management innovation environment (Liu, Guo, Shui, Zhang & Wang, 2018, July 11) [12]. In the Chinese business world, the management concept with Chinese characteristics emphasizes collective awareness and is people-oriented; in the traditional management model, it is generally based on the planned economy, emphasizes administrative management tools, and has a strict hierarchical relationship. Individuals must obey the whole. In this case, If there is no management innovation, Chinese enterprises will lack initiative and creativity. At the same time, due to the influence of traditional collective consciousness and hierarchy, decision-making power will be highly concentrated in the hands of a few people. It is precisely because of this that if key managers fail to recognize the importance of management innovation due to insufficient knowledge and judgment, or lack of crisis awareness, Therefore, making wrong decisions will inhibit the development of the enterprise and even cause harm to the enterprise. Therefore, the traditional management concept will restrict the behavior of enterprises and individuals to a certain extent and inhibit the development of enterprises.

Secondly, there are also problems in the management innovation within the enterprise. In the current social environment, there is still a lack of awareness of enterprise management and the problem of not paying attention to management innovation. Just following other traditional management methods without making corresponding adjustments according to own business conditions will not work in the current environment. At the same time, China's inherent talent training model leads to a lack of innovation, making it difficult for companies to promote the application of management innovation.

### 3. Conclusion

But in fact, there are still many blank spots in the application of management innovation in Chinese. The first blank spot of enterprise management innovation is small and medium-sized enterprises' lack of awareness of management innovation. In order to avoid excessive risks, consolidate the development of existing industries, and lack sufficient funds and advanced reform teams, small and medium-sized enterprises seldom choose to attempt management innovation. However, since the outbreak of the international financial crisis in 2008, the global economic situation has undergone major changes. Due to the continuous growth of trade surplus and the low industrial structure of China's international trade, the operating advantages of many foreign trade-oriented small and medium-sized enterprises no longer exist. During this extraordinary period, serious economic losses and some even lead to bankruptcy. In this context, to seek survival and development, foreign trade-oriented small and medium-sized enterprises must adapt to the changes in the international economic situation, and carry out a series of management innovation attempts such as management systems, management ideas, and specific technical methods to overcome difficulties

The second point is that under the background of COVID-19, enterprises will encounter obstacles in the implementation of management innovation. The impact of the COVID-19 on enterprises is reflected in various aspects. To a large extent, because of epidemic, the difficulty of financial management of enterprises has been increased, the operating costs and risks of various enterprises have been increased, the normal operation of the market has been broken, and operating income and operating time have been reduced. These problems urgently need enterprises use appropriate management innovation solutions to solve.

As a way to inject new impetus into enterprises and enable them to develop healthily and sustainably, management innovation always causes some enterprises to suffer irreversible losses or damages, but as long as more large enterprises can try to innovate management, small and medium-sized enterprises learn from mature management innovation models and follow-up business management or research can actively fill in the blank areas of management innovation, the long-term stable development of enterprises is an inevitable result. It is precisely because management innovation has always been of great significance to enterprises, so it has great research value, and will even become a problem that must be considered and a proposition that must be paid attention to on the road enterprise development.

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