

Chinese SMEs : Successful Factors, Constraints and Future Prospects

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<https://doi.org/10.15017/21824>

出版情報 : 経済論究. 142, pp.47-60, 2012-03. 九州大学大学院経済学会
バージョン :
権利関係 :

Chinese SMEs: Successful Factors, Constraints and Future Prospects

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1 . Introduction

Small and medium-sized enterprises (SMEs) constitute the backbone of many economies in East Asia. With the development of information technology and greater integration of global trade, SMEs have played, and are increasingly playing, a pivotal role in not only the national economic growth, but also in the international economic interaction. This is especially so from the point of view of creating employment, being the source of innovation, generating exporting opportunities, and being the source of future successful medium and large enterprises (Harvie, Charles, & Boon-Chye Lee, 2002). At the new turn of the second decade in the 21st century, there are about 2 billion people in East Asia, and over millions of SMEs. They made up well over 95 per cent of regional enterprises and employed over half the workforce. In addition, more than 30 per cent direct exports (indirect exports are even higher) and 70 per cent of net employment growth are from SMEs.

China, as the biggest developing country in East Asia, has experienced a prolonged and impressive economic transition from centrally planned economy to socialist market economy. SMEs' emergence, development, and their contributions to the growth of Chinese economy are along with the economic transition process which started in 1978. In this reform, the most attractive impact is the fundamental change of China's ownership landscape. Multiple types of ownership including urban and rural private businesses, township enterprises, foreign-invested enterprises and joint-stock companies are increasingly replacing the state sector in Chinese economic system. Especially, when the Fifteenth Party Congress proclaimed non-state sector as

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The author wishes to thank Pro. Endo for helpful comments. The views and any remaining errors in this paper are those of the author.

a vital component of socialist market system, nonpublic enterprises were recognized legally and politically, and eventually shook off their “supplementary” hat. In addition, after China has become the member of World Trade Organization (WTO), foreign firms can enter the industries that are once dominated by state-owned enterprises (SOEs). This will further alleviate the role of SOEs and give more space to the development of Chinese non-state sector.

SMEs which compose the main part of non-state sector have become the most attractive power for economic growth in China. By 2007, there were 42 million SMEs which made up 99 per cent of all enterprises. They have attained major outcomes in terms of contributions to GDP, tax revenue, employment, import, and export. With the reduction of the share of state sector in Chinese economic system, goods and services which produced and distributed by SMEs made up over 60 per cent of GDP in all industrial output. They also contributed over 50 per cent to tax revenue as well as about 80 per cent to the creation of employment. Their value of import and export came up to about 70 per cent. Though SMEs are particularly contributive to economic increase in East Asia, they arguably remain oft-neglected in academic fields. Scholars have tended to avoid serious analysis of their place in national and global economies (Plummer, Michael G., 2004). This is especially true for China where SMEs are quite important to economic increase but receive inadequate attention.

Thus, the main questions which will be discussed in this paper are:

- What is an SME?
- What are the main factors behind the success of SMEs in China?
- What are the constraints that encountered by SMEs and prospects about the future evolution?

This paper will first identify the diversity of the definition of SMEs in different regional economic systems in order to properly define Chinese SMEs which will be further studied in the paper. And then, the true main factors behind the development and contribution of SMEs will be deeply discussed. The last part will focus on the bottlenecks constraining the development of SMEs, particularly under the atmosphere of economic crisis which started in 2008. Prospects about the future development of Chinese SMEs will also be proposed in this paper.

2 . Categories of SMEs

In order to deeply understand one thing, we need to make clear what it is first. However, as to SMEs, this tenet probably does not work, because no consensus about the definition of an SME exists regionally or even globally. SMEs’ definitions differ widely among the economies of East Asia, and in the world more generally, depending on the phase of economic development as well as prevailing social condition (Harvie, Charles, & Boon-Chye Lee, 2002). The diversities of

definition of SMEs in different economies are shown in Table 1.

As can be seen from Table 1, the number of employees (often called headcount as well) is the most common measure for identifying SMEs, when compare with the other traditional indexes, including invested capital, total amount of assets, sales volume, and production capability. Choosing different indexes to define SMEs is a key reason for the conceptual diversity. Even if the number of employees is selected as defining measure, SMEs still differ a lot in different economies. For example, some countries like Singapore and Indonesia define SMEs as companies with less than 100 employees, while in some larger economies the headcount ceiling is 300 or even higher. This may result in some misunderstandings in comparative studies. For instance, a medium sized enterprise in China may be viewed as a large one in some small economies like Singapore. In addition, some economies distinguish between different types of SMEs (Harvie, Charles, & Boon-Chye Lee, 2002). For example, Singapore distinguishes between local and overseas SMEs (Harvie, Charles, & Boon-Chye Lee, 2002). Although the definitions of SMEs differ in various economies, the only common characteristic of SMEs is that they are really small and with over 95 per cent of SMEs employing less than 100 people in East Asia (Harvie, Charles, & Boon-Chye Lee, 2002).

Does the diversity of definitions really affect the key issues pertinent to SMEs? The answer to this question basically depends on the reasons for defining SMEs. The definition of SMEs is most common for statistical purpose in all but a few of the Asia economies. From this point, the definition of an SME differing a lot in different economies matters nothing. But when it comes to the comparisons across countries, we need to be quite cautious about the definition diversities of SMEs. Furthermore, most economies also define SMEs for finance and policy purposes. For instance, countries in EU usually apply the SME definition to State aid and community programmes. In the area of State aid, the General Block Exemption Regulation (GBER) refers to the SME definition in order to target aid measures to certain categories of enterprises such as newly-created small enterprises (European Commission Staff Working Document, 2009). Moreover, SMEs can get specific support open only to them in the form of risk capital (European Commission Staff Working Document, 2009). In 2007, total State aid for industry and services in EU27 accounted for €49 billion of which a large share goes to SMEs, including specific aid granted exclusively to SMEs of €4.7 billion (European Commission Staff Working Document, 2009). Between 2007 and 2013, cohesion policy programmes support explicitly the creation and growth of SMEs in EU (European Commission Staff Working Document, 2009). For example, SMEs in EU are the main beneficiaries of the “Competitiveness and Innovation Framework Programme” (CIP) and the 7th Framework Programme (European Commission Staff Working Document, 2009). When it comes to the specifics of finance and policy, the definition of SMEs becomes considerable.

Table 1 Definition of SMEs in Different Economies

Region	Country & District	Definition of SME	Employ	Measure		
				Employment	Capital	Assets Sales
	China	In general: small enterprise, 50-100 employees. Medium enterprises, 101-500 employees.	500	○	○	○
	Hong Kong China	Less than 100 employees.	100	○		
	Chinese Taipei	Manufacturing - less than NT\$ 60 million of invested capital, and less than 200 employees. In business, transport, and other services - sales of less than NT\$ 80 million, less than 50 employees. Manufacturing - Less than 300 employees or ¥100 million invested capital.	200	○	○	○
	Japan	Wholesaling - less than 100 employees or less than ¥30 million invested capital. Retailing - less than 50 employees or less than ¥10 million invested capital.	300	○	○	
East Asia	Korea	Manufacturing - less than 300 employees and won 20-80 billion capital (assets). Services - less than 20 employees.	300	○	○	○
	Singapore	Manufacturing - less than S\$15 million fixed assets. Services - less than 100 employees.	100	○	○	○
	Indonesia	Less than 100 employees. Assets and sales are also considered in various businesses.	100	○	○	○
	Malaysia	Less than RM 25 million annual sales turnover and less than 150 employees. Definitions are for SMI (small and medium industries). Different for Bumiputera enterprises.	150	○		○

Philippines	Less than 200 employees, Peso 40 million assets.	200	○	○	○
Thailand	Less than 200 employees for labour intensive. Less than 100 million Baht for capital intensive.	200	○	○	○
Vietnam	Less than 200 employees and less than 4 billion dong in capital.	200	○	○	○
USA	Less than 500 employees.	499	○		
North America	Manufacturing - less than 500 employees. Services - less than 50 employees.	499	○	○	○
EU	Less than 250 employees, less than € 50 million turnover capital and less than € 43 million in Balance sheet total.	250	○	○	○

Notes:

Employ: headcount ceiling of an SME.

Sources:

Hall, Chris, 1995. *APEC and SME Policy: Suggestions for an action agenda*, available at <<http://www.apec.org.au/docs/iss1.htm>>;
European Commission, 2009. *Commission Staff Working Document: on the Implementation of Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises*. Brussels: 2009.10.7.1350 final.

In the coming research, SMEs in China will be further discussed. Therefore, a common standard for defining an SME needs to be confirmed in an individual economic system. However, the definition of an SME in China is quite complex (Liu, Xiangfeng, 2007) and has been changed at least four times since the 1950s (Hall, Chris, 2007). For example, the definition used for regulatory purposes (and thus for the collection of statistics on SME exports) in China depends on the industry category (Hall, Chris, 2007). Employees, sales and assets are usually used to define Chinese SMEs as well. Further, an SME of privately owned or not is also considered when classifying SMEs. All these conceptual inconsistencies lead to difficulties in academic researches, such as comparative, statistical, and empirical studies on SMEs. In order to eliminate conceptual ambiguities of SMEs, this paper chooses the number of employees as measure for defining SMEs in China and defines them as enterprises with less than 500 headcount according to Hall Chris (1995).

3 . Factors behind the success of Chinese SMEs

3.2.1. Human recourses

Human recourses are one of the most vital factors for the success of SMEs in China. For one thing, China has over 1.37 billion people of which around 800 million are economically active populations (NBS, 2010). The largest population foundation in the world provides adequate labor force for the growth of Chinese SMEs. For another, China also has vast supply of low-cost labor in the world. This leads to more competitive product cost and remarkably enhances the success possibility when Chinese SMEs compete with the peers of other countries in foreign market. After a few decades of development, Chinese human resources have experienced an attractive upgrading in both quantity and quality.

First, since the restructuring of SOEs proclaimed and implemented in 1990s, most SOEs has been sold, leased or reconstituted as shareholding companies. A large amount of workers who once worked in SOEs lost their jobs and became surplus labors. For livelihood, most of them started their own businesses which are the original SMEs called self-employed enterprises. While some other workers were hired in private sectors, so they became one branch of human resources that contribute to the growth of Chinese SMEs. Second, with the rapid development of Chinese economy, urbanization has become an irresistible historical trend. By 2008, the rate of urbanization has got to 45.7% and it is estimated to reach up to over 70% until the year of 2015. The trend of urbanization results in a lot of farmers who lost their field land and transfers them from farmers to citizens. Along with the farmers' immigrating to cities and transferring into citizens, the number of urban workforce grows large. At the same time, labor's share in agriculture sector has been falling, while the industry and service sectors have experienced

long-term growth (Van Diermen, Peter, 2002). The increase of work force caused by the two key reasons discussed above guarantees the labor demand for the expanding of Chinese SMEs.

As to the change of human resource quality, it can be attributed to the fast development of Chinese higher education. In recent years, Chinese government has invested heavily in higher education, and has reduced financial burden on developing sound higher education system. Furthermore, private investors, even foreign investors are allowed to engage in the field of higher education. Because of abundant capital from various channels, the number and the total scale of higher education have enlarged sharply. By 2009, the number of regular higher education institutes is 2305 with over 21.4 million enrolled students¹⁾. The hardware and software of higher education have spectacularly upgraded as well. Meanwhile, the flourish of vocational education has cultivated a great many skilled workers. Many of them are rural surplus labors in the progress of urbanization. All in all, the fast development of Chinese higher education conduces to the promotion of higher education prevalence which brings the upgrading of human resource quality in China.

In addition, some other sources of labor force also promoted the quality of Chinese human resources. On the one hand, many overseas-educated Chinese or foreign residents have returned to China in recent years to set up international businesses or get jobs in some SMEs. On the other hand, most Chinese SMEs recruit competent engineers, technicians, experts, and some other talent staffs from foreign countries by paying them attractive salaries. All of these well-educated labors (foreign-educated Chinese, foreigners, foreign residents etc.) entering Chinese labor market provide abundant high-quality human resources for SMEs. Of course, the establishment of employee training system in almost all Chinese SMEs also contributes to the quality rising of Chinese human resources.

In summation, Chinese human resources have changed a lot in the last three decades. The increase of quantity and the promotion of quality on Chinese human resources have accelerated the flourish of SMEs in China, but many new challenges have been raised as well. For instance, how do Chinese SMEs innovate on human resource management and construct proper industrial relations as there are more and more well-educated employees in SMEs? How do entrepreneurs of SMEs adjust their leadership behaviors to adapt these changes of Chinese human resources in order to motivate employees and enhance their performance?

3.2.2. Entrepreneurship

Though Chinese SMEs have experienced a rapid flourish during the last three decades, one fact needs to be focused on is that the fate of SMEs is quite different. Some SMEs grow up to be

1) The data are from the Chinese education statistical data in 2009, available at the website of Ministry of Education of the People's Republic of China <<http://www.moe.edu.cn/>>.

larger or even world famous companies after fast capital accumulation, while some of them fade out from market competition after instant flash, or even get rare chance to develop. According to survey, about 5 to 20 per cent of SMEs close their doors every year (Hall, Chris, 2002b). Because of the impact of economic crisis, this proportion will be higher in recent years. What is the pivotal reason for the survival and development of Chinese SMEs? A widely considered answer is that entrepreneurs play an important role in SMEs' success. In western countries, the significant influence of entrepreneurs on the flourish of SMEs has been proved by the developing history of SMEs. In the age of industrialization, the talent that entrepreneurs integrated capital, technology and labors was the direct power for economic improvement. Even now, the economic system and modern enterprise framework are extremely perfect and developed in western society, entrepreneurs still connect crucially with the destiny of SMEs, just like Bill Gates to Microsoft Corporation, Steve Jobs to Apple, etc.. All of these world famous companies started from SMEs.

In China, the growth and development of SMEs also witness the significant role that entrepreneurs play. During the last thirty years, a group of large private companies grew up from SMEs, like Wanxiang Corporation, Vantone Corporation, and Baidu Corporation, now have grown up to large and famous companies, even listed on foreign stock exchanges. Their entrepreneurs Lu Guanqiu, Feng Lun, and Li Yanhong are the typical representatives of three kinds of entrepreneurs, as the economic transition has progressed in China. The three dominant groups of entrepreneurs are peasants-turned entrepreneurs (1978-1988), bureaucrat-turned entrepreneurs (1989-1999), and overseas-returning entrepreneurs (2000-now) (Zhang, Weiying, et al, 2010, P183). Though the three types of entrepreneurs differ in their individual background, the businesses they begin, the firm ownership and governance, and the historical background when they started businesses, they promote the development of Chinese SMEs in certain stage.

Detailedly, peasants-turned entrepreneurs are farmers obtained freedom to do business after household-contract responsibility system was implemented in China (Zhang, Weiying et al., 2010). Some of them were once suppressed or even jailed. They started their businesses called as "township and village enterprises" (TVEs) in order to resolve their livelihood. Though most of peasants-turned entrepreneurs are not well educated and with little skill, under the background of low technology and underdeveloped method of economic increase. The emergence of them spurred the prosperity of TVEs which were the dominant form of non-state ownership in the 1980s. As far as bureaucrat-turned entrepreneurs are concerned, they generally had the experience of higher education with university degrees when compared with peasants-turned entrepreneurs. Though these entrepreneurs are from low-ranking officials, they generally have good relationship with government and are familiar with the function of government. Hence, during the time when legal and financial systems were underdeveloped, bureaucrat-turned entrepreneurs

are the engine of the flourish of Chinese private enterprises. The third type of entrepreneurs who returned back from overseas are all well educated and with strong technology background. They set up technology intensive companies and managed them by applying modern management thoughts. Because of their international perspective, overseas-entrepreneurs clearly understand the rules of competition in foreign market and are propitious to take SMEs into world market.

Not only has the growing path of SMEs witnessed the significant effect of entrepreneurs on SMEs' success, but the status of Chinese economy also determines that the development of SMEs relies much on the talent of entrepreneurs. First, China has had a strong cultural and historical emphasis on Guanxi, because of underdeveloped institutions in the process of economic transition. Entrepreneurs' social network is quite necessary for SMEs to resolve many problems in their growing paths, such as obtaining information and resources, overcoming credit and supply constrains, and conquering risks (Tan, Justin et al., 2009; Yao, Yang, & Linda Yueh, 2009). Second, because of historical and political reasons, the developing history of Chinese SMEs is not long enough. A large number of SMEs are controlled by entrepreneurs of the first generation with the power of both ownership and governance. These entrepreneurs have the absolute power to control SMEs' capital, labors, and resources. Their leadership behaviors, individual value, and talents are basically important to the survival and promotion of SMEs. Third, family business accounts for a great part of SMEs in China. In family business, the key departments and procedures of management are generally controlled by family members. This kind of administration framework results in the absolute obedience of managers to the top leader. From this point, the effect of entrepreneurs in SMEs is emphasized as well.

In conclusion, entrepreneurship is one of the most significant factors for the promotion of SMEs in China. Further study should focus on entrepreneurship and leadership behaviors matching properly with the development of Chinese SMEs, for they are vital to make SMEs successful.

3.2.3. Information and communication technology

Information and communication technology (ICT) is changing people's way of life as well as the operations of businesses of all sizes. The wide application of ICT provides many benefits in intra- and inter-firm business processes and transactions. It improves information and knowledge management inside the firm and directly results in the rapid development and widespread adoption of e-business which reduces transaction costs and increases the speed and reliability of transactions for both business-to-business (B2B) and business-to-consumer (B2C) transactions (OECD, 2004). Furthermore, it enhances external communication so that companies can establish wider and more effective networks with business community via e-mail and the Internet.

Recently, most Chinese SMEs have gradually recognized the importance of ICT and actively adopted it for their development. In these SMEs, computer terminals, usually with Internet

access have become the basic office facilities. Many types of business software can improve information and knowledge management within the firm, leading to more efficient business processes and better firm performance (OECD, 2004). The widespread adoption of ICT in Chinese SMEs leads to a great many benefits in a wide range of business.

At intra-firm level, ICT and its applications can make communication within the firm faster and make the management of the firm's resources more efficient (OECD, 2004). Paperless offices which caused by information transfer through shared electronic files and networked computers are widely existed in Chinese SMEs. This largely reinforces the business efficiency in documentation and data processing, incoming orders organizing, and invoices preparing etc.. Increasingly sophisticated ICT applications such as KMS (Knowledge Management System) and ERP (Enterprise Resource Planning) allow firms to store, share and use their acquired knowledge and know-how (OECD, 2004).

As to inter-firm level, the Internet and e-commerce have great potential for reducing transaction costs and increasing the speed and reliability of transactions (OECD, 2004). They can also reduce inefficiencies coming from the lack of co-ordination. For example, Internet-based B2B interaction and real-time communication can reduce information asymmetries between buyers and suppliers and increase the coordination between firms in the value chain. As far as B2C is concerned, the Internet and e-commerce are effective tools for providing information on products, services or technologies. This can make many kinds of information clear to customers and enhance the quality of a firm's services. By collecting information on customers' needs, it can be used for product development or innovation (OECD, 2004). A home page with a direct link to the corporate e-mail account provides an easy-to-access contact point (OECD, 2004). For those in different time zones, 24-hour availability of the contact is especially attractive (OECD, 2004). In addition, the applications of ICT also intensively connect SMEs with government, financial organizations, R&D institutions, and other businesses to get useful information for their improvement.

4 . Constraints and prospects

Despite the attractive contributions and success of Chinese SMEs in the last three decades, they are still suffering from a number of constraints in their developing and expanding process. Though the bottlenecks encountered by SMEs differ considerably in different aspects, like exporting, investing, industrial upgrading, and industrial structure change, there are still something in common, concluded as inadequate funds, and technological obstacles.

First, although Chinese government has implemented a series of favorable policies around loan and taxation to support SMEs, the shortage of funds is a major stumbling block to SME

development in China. According to Liu (2007), SMEs are beset by poor credit guarantee system, dearth of financial institutions supporting SMEs, extremely high stock market threshold, and inability to obtain bank loans owing to imperfect management and poor accounting system that discourages banks from lending to them.

Second, technology also restricts the development of Chinese SMEs. As to those small and newly established companies, they are incapable of investing R&D to develop new products, because they are not as strong as those large ones which can endure the risks from technological innovation. So these small companies can not keep up with the latest technology and are vulnerable in drastic market competition. As to those developed SMEs with advanced technology, intellectual property rights protection is another problem bothering them, particularly copyright and patenting in exporting.

In addition, China has only followed policies to stimulate SME development in the last few decades. This directly results in the lack of experience in business practice. While the short history of connecting with foreign market since the open policy proclaimed in 1978 leads to the weak linkage of Chinese SMEs with external market.

Besides all these difficulties faced by SMEs in China, the most exquisite crash to all the SMEs can be attributed to the economic crisis broke out in 2008. The economic crisis brings overall deterioration of global economy as well as Chinese economic environment. In 2008, the inflation rate in China reached up to 5.9 per cent and it is estimated to keep up at the level of over 5 per cent for the next five years²⁾. The unemployment in 2008 was 886 million people, while in 2010 it sharply rose up to 908 million with a peak of 921 million in the year of 2009³⁾. Meanwhile, the proportion of total value of imports & exports to Chinese GDP was 59.8 per cent in 2008, and it dramatically fell down to 44.2 per cent in 2009⁴⁾. The downfall of macro economic atmosphere raises a series of negative consequences affected Chinese SMEs including: the price and volume of purchasing and sale both domestically and internationally; squeezed profit margins on existing products; reduced overall profitability arising from higher costs of inputs from higher domestic inflation and higher costs of imported inputs due to the collapse of the domestic currency, in conjunction with a decline in sales revenue; liquidity and cash-flow difficulties arising from customer bankruptcies and bad debts, difficulties in getting paid from similarly cash-constrained customers, and suppliers wishing to be paid as quickly as possible; a rising interest burden on outstanding loans; difficulties in gaining access to and the cost of, temporary or longer-term finance from financial institutions; the need to strengthen efforts in regard to marketing; invest-

2) Data are available at the website of People's Bank of China <<http://www.pbc.gov.cn/>>.

3) Data are available at the website of Ministry of Human Resources and Social Security of People's Republic of China <<http://www.mohrss.gov.cn/>>.

4) National Bureau of Statistics (NBS) of China, 2009 & 2010. China Statistical Yearbook. Beijing: State Statistics Bureau Press.

ment, particularly in R&D, is likely to be severely curtailed; and downsizing and potential loss of key personnel in an attempt to reduce costs (Harvie, Charles, 2002b).

Though Chinese SMEs are experiencing severe winter of global economy crisis, their future prospects are still optimistic. For one thing, a great many underdeveloped and vulnerable SMEs died in the intensive crash of economic crisis. This is the proper answer for the explanation of “survival of the fittest” and is also a newly riffle of Chinese SMEs. Those survivals in this worldwide crisis with adequate capital, advanced technology, and high level of human resources play a role in the industrial structure adjustment and industrial upgrading, at the same time, take Chinese SMEs to a higher level. For another thing, with the ablation of economic crisis, many problems handicapping the growth of SMEs have floated on the surface. All emerging holes result in targeted measures implemented by government and SMEs in and after economic crisis. For example, government should further innovate upon policies around solving the problems of funds, technology, and information in the future. Institutions of loans and taxation need to be more flexible for SMEs to get financial support easily. Advanced information platform should be established so that SMEs can transfer technology domestically and internationally and access to foreign market conveniently. As far as SMEs are concerned, effective organizational structure, accounting framework, and training system need to be constructed to match with the drastic competition in world market. In addition, entrepreneurs of Chinese SMEs should pay more attention to introduce the latest management culture and methods. They also need to adopt suitable leadership behaviors and establish comfortable industrial relations to keep the core talents and reinforce their performance. By and large, both chances and challenges are lying ahead, but the future for the growth of Chinese SMEs is bright.

5 . Conclusion

The economic miracle of China in the past three decades can be attributed to the emerging, development, and prosperity of SMEs. However, there are no common standards to describe SMEs in different economies. Based on the comparative study around the conceptual diversity of SMEs in countries of East Asia, North America, and EU, this paper defined SMEs in China as companies with less than 500 employees according to the conclusion about the definition of Chinese SMEs from Hall in 1995. This paper also revealed the contributions of SMEs to Chinese economy by using data before the economic crisis which started in the year of 2008. Clearly, SMEs play a pivotal role in the development of Chinese economy through creating employment, technological innovation, and export, etc..

The main part of this paper systematically discussed the reasons why Chinese SMEs successfully flourished and drastically contributed to the economic growth from internal environment of

SMEs. As far as internal factors are concerned, human resources is one of the most important components for the development of Chinese SMEs. Though the upgrading in both quantity and quality of human resources in China made SMEs competitive in foreign market during the last three decades, it also raised challenges to human resource management for the future. Obviously, there is a need for further research on administration and encouragement of well-educated employees as well as establishing harmonious industrial relations. In addition, this paper summarized the characteristics of three kinds of entrepreneurs under different historical background in China, getting that three types of entrepreneurs with different individual background are vital for the success of SMEs in different historical stages. Future studies need to focus on entrepreneurship and leadership behaviors matching with the economic environment, cultural context, and the condition of human resources, especially under the background of economic crisis after 2008. Meanwhile, the application of ICT greatly eliminated the business cost of SMEs and sharply enhanced their developing efficiency.

In this paper, bottlenecks of funds and technology bothering Chinese SMEs for a long time have been discussed, though the development of SMEs in China is generally successful in the past few decades. At last, this paper revealed the shocks of economic crisis to Chinese SMEs and gave prospects optimistically for the future development of SMEs in China.

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