Strategic management innovation in Asian organizations

Innovación en la gestión estratégica de las organizaciones asiáticas

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Abstract

This article examines the development and impact of social changes in China to become one of the world’s largest economies. It reviews the historical background, offers various opinions of authors involved in the issue, how the Chinese system has changed in the face of global changes. The method that gives support to this article is located within the documentary research that, starting from previous works and secondary information, allows to deepen in the subject, to offer a reflection of the author. It is concluded that the need for change as a basis for motivating success allowed a change in mentality in society, overcoming the technical vision of imitations to become the basis for innovations.

Keywords: China, science, Competitiveness, Development, Innovation

Resumen

Este artículo examina el desarrollo y el impacto de los cambios sociales en China para convertirse en una de las mayores economías del mundo. Revisa los antecedentes históricos, ofrece diversas opiniones de los autores involucrados en el tema, cómo ha cambiado el sistema chino frente a los cambios mundiales. El método que da soporte a este artículo se ubica dentro de la investigación documental que, partiendo de trabajos anteriores e información secundaria, permite profundizar en el tema, para ofrecer una reflexión del autor. Se concluye que la necesidad de cambio como base para motivar el éxito permitió un cambio de mentalidad en la sociedad, superando la visión técnica de las imitaciones para convertirse en la base de las innovaciones.

Palabras Clave: China, ciencia, Competitividad, Desarrollo, Innovación
Introduction

China is a reality, China is a truth, China is innovation. Chinese society evolved as a necessity to adapt to new times, Chinese entrepreneurs are helping the world evolve. Every day in China there is a need to innovate, to change, to improve, there is no longer talk of copying, of imitating, they decided to compete and they decided to make it big. More and more, the Chinese system is growing based on its own laboratories and very soon these ideas of change, innovation and development will set a new standard in the world. What is extremely interesting is that this economic revolution is taking place in a not very democratic system, full of limitations and complexities. The answer is simple: there will be sufficient guarantees for innovation.

Every day China needs less of Western science. Instead, every day the Western world is needing more of the development, science and innovation of the Chinese system.

Background

Many historians believe that Mao Zedong’s government was not good for China, economically speaking. But it should be noted that between 1949 and 1977, there was an average growth of 6% in China. Of course it was not a very stable growth, there were years with double-digit growth and other years with a decrease. However, seen as a whole, China consolidated a minimum modern infrastructure consisting of: medical assistance, education and highly efficient means of transportation for people and cargo. Deng Xiaoping in 1979 formulated the four fundamental modernizations of the Chinese system, namely field, industry, science and technology. The first is that of the countryside. He freed up the peasant workforce, creating family-type micro-enterprises producing almost exclusively products worth less than a dollar. In 1980, the first Special Economic Zones, established in four coastal cities, were created and developed as maquilas, and through them the Chinese were able to bring capital and technology into the country, thus showing the world that they were going to respect foreign and Hong Kong capital. Where did the capital come from? In all the countries of Southeast Asia (ASEAN countries), the Chinese control a large part of the economy and politics. The overseas Chinese are rich, and they were expected to get their money. In the early years, the fundamental objectives of the ZEE (raising foreign capital, transferring high technology and creating jobs) were met only to a very limited extent. In 1984, Deng Xiaoping redefined the ZEE to increase the role of technology and knowledge. Thus began the second stage (from the mid-1980s to the early 1990s).

Here, the objectives set were already better met. In those first two stages, the capitals were largely Chinese, coming from overseas Chinese. It was in the third stage that the Europeans and Americans would come in full force. The incentives were mainly based on the environment created by the government, with infrastructure and technology parks. Agreements were also made for companies not to pay taxes for five or ten years. And of course, the main incentive was cheap labor (40 cents per hour, which compares to 1.10 or 1.15 on the Mexican border, almost three times as much). In the first stage, almost all the foreign money was leaving the country. China still couldn't negotiate much. In the next stages, China was already able to negotiate better, it could already talk as an equal. In this way, these areas began to become high-tech areas. Wages began to rise. During the 1990s, and until the beginning of the first decade of our century, when China entered the WTO, the third stage of the creation of the ZEE took place. New zones were opened, but within a multifunctional and multivariate strategy: High
Technology Industry Development Zones, Export Processing Zones, even Tourism Development Zones were created. In addition, after the development started in the south of China, zones were opened towards the north. Investment was made in the city of Shanghai to return it to the great economic and financial center of the country that it had been in the first half of the 20th century. Later on, cities further north were developed, such as Qingdao, Tianjin, Dalian or Beijing itself. Later, to avoid the great imbalance that was being created between the coast and the interior, the “Go West” campaign was launched to develop regions such as Sichuan. It is important that all the processes in China have been done as “trial and error”, a very Chinese way of doing things. Since Maoist times, there have been great economic and social experiments, some of which were successful and others disastrous, such as the Great Leap Forward [1]. In the time of Deng Xiaoping, these experiments were carried out by zones. In China, the opening was done gradually and by zones, in order to extend the successful measures to other places and to control the ineffective measures. A very important fact is that priorities were set. One country needs priorities, and there cannot be twenty of them. China is developing because clear objectives were set. The things you want to do, you do. It is an effective government. They planned a strategy and carried it out [2].

The change

“Moving or altering something, introducing novelties” is innovation according to the RAE. With this definition we can make it clear that innovation is nothing more than changing, modifying or proposing new ideas with a generally economic basis. But innovation is more than that, since more than changing or improving something, that something must be successfully marketed. The Chinese system has made it clear that innovation for the sake of innovation does not serve much purpose if things are not done well. If innovation comes from a process, it must be done as well as possible, and if the innovation is of a product, the marketing of the product must be successful.

The “Chinese system” as a social system is based on social behavior controlled and developed by the State, through the application of century-old rules that have evolved socially. The evolution of these rules is the fundamental basis of the transformation of a system to adapt to the new times, a system characterized by being closed where the only and absolute public property is its main flag, transforming within its limitations into a mixed property with great ideals of openness and freedom.

For [3] asserts that the change of the Chinese system has experienced a series of progressive innovations from planning to the market: “the main role of the planned economy and the complementary role of market regulation”, “the planned market economy”, “the state that regulates the market and the market that guides enterprises”, “the mechanism that combines the planned economy and market regulation” and “the socialist market economy”. After the reform and opening up, it became a matter of interest to the country’s leaders and in the theoretical field to understand how the economy recovers and develops, China’s technological breakthrough challenges the theory that an authoritarian system is severely limited in its ability to innovate.

Now in the cities there are investors, entrepreneurs, startup accelerators and a whole network that makes it clear that something has changed in China. Efforts to bring in talent from abroad are not limited to overseas Chinese students, as the system has allowed nine cities to set up incubators for international companies. For [4], international business incubators create a suitable environment for foreign experts to innovate in
China and expand from there into international markets.

China has been growing economically to levels not seen before for several decades now. While the system has allowed greater economic freedoms, political freedoms are still limited, and with economic growth of such magnitude, an alteration of political status is unlikely. China’s technological innovation is due in a fundamental way to the support of its political system. China is a state capitalism, that is, an economic system in market theory but with a strong government interventionism.

For [5] states that the Chinese system has maintained a premise of avoiding falling into the “middle income trap” explained by The World Bank [6] as the phenomenon in which, as emerging countries accelerate their growth, they improve the conditions of workers, increasing wage costs, with a direct impact on labor-intensive sectors that, in the absence of technological change, are no longer competitive.

Chinese universities and institutes are carrying out cutting-edge research in technologies ranging from large data to biochemistry, nanotechnology to robotics, while the partnership with science parks is being carried out to commercialize these innovations, based on Project 985, which consisted of selecting nine universities throughout the territory that were allocated a special budget for a period of three years, being public universities and seeking to better use resources to increase their academic and research excellence [7].

The common belief is that everything made in China, is synonymous with lack of quality. Little is said about the technological products, their own technology is not very well known, without knowing that in the Asian giant in view of the Western world, components are manufactured for Apple and many of the world’s greats. The reality, however, is different: China’s system of limitations is creating a whole change in the technological and business world, which is why at some point China was described as a great country of inventors and creators that was left behind in modern times [8].

The truth is that, some time ago, change in China was not a constant, their basic work was limited to copying and mass production without adding value to the final product. Although there were success stories in China, most of them were just copies of real changes that had been generated in the Western world. When we talk about research and development, it is simply a scientific truth, which is relevant, with various levels of development and which will depend on the conditions and culture that assumes them. For [9] is sincere in stating that the changes have generated the transformation of Chinese society into a new species based on a neo-Confucianist model.

In order to grow, human beings must evolve. In all social aspects it is said that evolution is the key to success. The experts agree with this statement, but conclude that although innovation is necessary, it must be carried out patiently as the Chinese system has done, since it is a matter of investments in the not too short term.

As companies grow, innovation increases and products consolidate, marketing margins become smaller. Serious and adequate growth that is profitable in the long term cannot happen overnight based on old schemes anchored in outdated ideas, but new sources of increased profitability must be sought based mainly on innovation. Innovation in the Chinese system was based on bringing out and compiling the ideas that are born from within the organisation, analyzing all the variables and only putting into practice those that are really profitable. The Chinese system understood that ideas not only arose from within its society, but that they
could also originate as a result of globalization. Therefore, the system forced managers to develop a culture in which the whole chain from production to consumption lived as their own the experience that what is produced in China is part of a state culture and policy in which innovation is encouraged. The need for change arises spontaneously, but only with the wisdom and dedication of the Chinese culture and system did it allow innovations to become the rule rather than the exception. For [10] the Chinese system is immersed in an extremely ambitious project of reforms that will allow it to face the new times, attracting foreign capital, technology and knowledge to foster growth and development.

Today the Chinese system is led by engineers and scientists who promote new technologies as a form of social and economic growth of the country, which is why the Chinese system of Science, Technology and Innovation has grown enormously as it has been given both the resources and tools necessary for this to happen.

The origin of the innovation of a productive activity, a society or a country is its people, in the case of the Chinese system, it was a State policy that promoted the need for change, providing the guarantees and conditions according to the circumstances. Innovating implies creative people with initiative, but it is this initiative duly supported that is the real reason for the success of an innovator. In the era of globalization, anyone can develop an innovative idea, the issue comes in the support given to each innovator. The Chinese system understands that it is the willingness and ability to put such ideas into practice that will establish an innovative culture that conquers the world. When developing a State policy, which seeks to develop the entrepreneurial spirit of people, the Chinese system understood that this can only be achieved with the right motivation, with the breaking of paradigms, with the support of the State and with the establishment of conditions that give the entrepreneur extra motivation. Social development has taught us that there are two main reasons for innovation. The first is based on our basic principles, fear, hunger or the need to live. Thus, innovation arises from the need to solve a situation of great pain.

The second great source of innovation comes from the need to compete, to be different, to not feel the same. Once you feel good, the need to be different from people creates the need to keep innovating. An innovative society needs brilliant people, who are the professionals who conceive new ideas, transform these ideas into projects and the projects into innovation. These are joined by people who support, encourage and promote innovation, as well as people who are responsible for designing the organization's operating models with the aim of developing innovation.

The Chinese system understood and fostered the development and potential of the "new Argonauts": potential innovators who develop their knowledge abroad who return full of knowledge and with the best global contacts. These argonauts play an extremely important role in the multiplication of knowledge and the proliferation of innovation. It is currently said that 300,000 Chinese are studying in American universities and 90,000 in English universities. These young people have a mission, to be the connectors that democratize innovation. That is why for at least three decades the People's Republic of China has undergone profound socio-economic transformations at home and in its integration into the world market. For [11], this period of reforms, and until 2014, has been one of the pillars of the growing "reorientation" of the global productive and commercial centers, with profound impacts on international politics.
The Chinese process can be summarized in two stages: “entering the country” and “leaving the country”. The “introducing the country” stage is done through capital and technology, to seek to acquire added value, while the “leaving the country” stage is based on presenting the world with its changes and innovations. According to [12], since 1985, large Chinese state-owned companies have opened their business abroad, and have decided to participate in the area of production and international investment.

According to the Organization for Economic Cooperation and Development (OECD), innovation in China is growing at a dizzying rate never seen before. The Chinese system plans to transform the country into a world leader in science and technology, and has promoted the funding of research and development of innovative ideas. China is currently the largest technocracy in the world, a country where the leaders are engineers and scientists, who fully defend the potential of new technologies to generate economic and social development of the country. The Chinese STI system has many weaknesses, but it is extremely fast in disbursing resources, which gives it a substantial advantage. At present, the Chinese system is creating and carrying out an enormously ambitious programme of innovation, technology and science. In the 1990s, China changed the paradigm by diminishing its control over research institutes.

One of the keys to the transformation is the social progress of the country. In 2000, only 4% of the population was middle class. However, by 2012, two out of every three inhabitants were earning between $9,000 and $34,000 a year, the figures that this social group usually falls into. In addition, higher education statistics have grown exponentially. The result of this mix is none other than a creative generation that has stopped fearing risks. The Chinese system as a state policy seeks to create the most favorable environment for business activity and is protecting innovation. While brand copying remains a reality, focused imitation is giving way to innovation. The skills acquired in the study processes in the West are being complemented by the Chinese system with large investments in innovation, technology and education. The knowledge acquired abroad is being adapted and improved to suit their main needs. The Chinese system is reinventing not only the products, services and forms of distribution, but also the way of doing business. Its companies have to face the demand of the State to compete, at an accelerated pace of change, to a no longer captive audience that is eminently proactive, to a demanding middle class and to new technologies, making great changes in the political system that consolidates all the work done so that growth and social and sustainable development go hand in hand.

In fact, today in any Chinese city, there are investors, innovators, idea developers and a whole system that makes it clear that China is no longer the same. So, Chinese innovators no longer want a job but they want to own the business. Once China solved its problem of academic training, the need to create sources of employment for them arose. First, it did so by inviting and allowing technological investment, allowing the location of its citizens in workplaces according to their level of experience and foreign preparation. That is to say, to develop their studies in the form of work. Hence the creation of the so-called technology parks allowing a series of great facilities such as better communications and tax exemptions. Creating their own Silicon Valley by locating it between Tsinghua and Beijing, creating an appropriate environment to lead the change, seeking to modernize and develop the largest company in the world that lacked the latest technology.
The World Economic Forum (WEF) Report considers innovation strategies as the key to the international success of Chinese companies. The Chinese system is increasingly friendly and protective of innovation, whether in products or business ideas, and they are constantly adapting to the changes and demands of the global market.

For the Chinese system, the strategy of success consists of a two-track model where the first step is to make a big jump into the international market and thanks to this, to become stronger within the domestic market. This development model has allowed companies from the Asian giant to continue investing abroad. As Chinese companies are improving the financial aspect along the value chain, they are assuming a long-term expectation in the development of innovation capabilities instead of seeking short-term profitability.

The Chinese system is fundamentally based on: Making innovation a strategic element of globalization efforts. 2. Establishing local innovation teams and strengthening and commissioning innovation teams abroad. 3. Developing an innovative business culture. Always seeking to expand globally. The idea is not only a business principle but, supported by the government, they see this business and technological situation as an opportunity to continue growing. So much so that China's Prime Minister Li Keqiang said the government’s intention is to “ignite the innovative drive of hundreds of millions of people.

As a result of this state policy, many Chinese regions have created special high-tech areas where entrepreneurs can enjoy access to the most technology and obtain government support. The aim is that resources are not used to copy more, but to develop the best conditions for the emergence of companies specialized in new materials, software and technological products. Anything that is innovative has been the sector chosen to continue creating jobs after economic growth.

All this has generated a consequence, to this day, China Innova and innovates at such a level that is a reality that exceeds expectations, being a world leader in global patent applications. The author [13], reports that China is number one worldwide in the number of Bachelor's, Master's and Doctorate degrees in science and engineering. Leading the export of technology products. Innovation that goes beyond technology is innovation applied to business models, organization and strategies.

In addition to innovation, another key to the Chinese system is knowing how to adapt certain products to the specific needs of the domestic market. But innovation goes far beyond the simple adaptation of proven Western products. Today we are experiencing a second stage of technological innovation that is no longer exclusive to electronics. The Chinese system decided to grow and has decided to support innovations in aerospace factories and medical engineering, in response to global needs and its desire to grow.

For [14], the “Chinese model” takes advantage of innovation to reduce contradictions and frictions in the process of change; it uses many options to adjust and regulate the consequences of change, and seeks to create a development model based on sustainability and equality; Seeking to promote the middle way, [15] on the other hand, defends the Chinese model by characterizing it in three principles, a strong centralized government, a purely export-oriented economy and an excellent social security network, generating its own system that unites economic and social development, generating speed and quality in decision making, while [16] indicate that the “Chinese model” has four special characteristics: several forms of ownership, a
multiple distribution system, a system based on the orientation dictated by the system, and the need to create all the options to generate self-sufficiency.

The author [17] has considered that the market economic system varies in each country, so no single truth is written. For the Americans, their economy is a modern market economy dominated by monopoly, for the British a traditional market economy, that of France is governed by indicative planning, Germany is a social market economy, Japan and South Korea are run by governments, Switzerland and Sweden seek social welfare. The Chinese system is based on the fact that the State regulates the market, and the market adjusts the companies, so the main components are the companies, the government and the State [16]. From there, in Li’s words [18] it could be said that the level of marketization will determine the result, the objective and the direction of the reform in the country’s economic system as it is happening in the Chinese system.

It must be clear that, the public interest is not equivalent to the interest of the political system, for [19] “the state authority, at most, is only the representative of the public interest, and can only represent it as long as it uses the constitution faithfully”. The government is not an abstract truth, it is a community of interests composed of three elements, people, territory and feelings, for which development must go hand in hand with social interest as it is today or the Chinese system does to avoid directing the system into the abyss of destruction and disaster [20]. The Chinese system, when exercising government authority, obtains the revenues to fulfill its government obligations [21]. This is North’s paradox, understood as the characteristic that distinguishes rich countries not their growth rate, but the low frequency with which the economy contracts. Hence, for the Chinese system to work, it cannot be done without a strong state and a powerful government. Acemolgu & Robinson (2012) believe that the key to understanding why South Korea and the United States have inclusive economic institutions is not only in their pluralistic political institutions, but also in their powerful and sufficiently centralized states. Max Weber, identified it with the “monopoly of legitimate violence” in society. Without this monopoly and the degree of centralization that it implies, the State cannot play the role of a law and order enforcement body, let alone provide public services and encourage and regulate economic activity. When the State achieves virtually no political centralization, society sooner or later descends into chaos, as in the case of Somalia. Therefore [22] calls inclusive political institutions those that are sufficiently centralized and pluralistic [23]. Points out that “authoritarian and paternalistic government, based on the separation of rulers and ruled, the absence of an aspiration or a democratic idea: these are 125 characteristics, associated with the Confucian tradition that has been intimately rooted in China for many centuries, that must be taken into account in order to understand the events that take place in the country”. The Chinese system shows more power and centralization, with real political power and the attribution of distributing resources, and with the appropriate mechanisms to enhance or end any innovation that is of interest to the State. The principles governing the transformation of China’s market-oriented institutions are based on the need for a balance in the system, always seeking the greatest utility. As an emerging economy, the Chinese system faces a fierce struggle against the large Western markets using its innovation policy as a spearhead. The author [24] calls this institutional arrangement of the Chinese model the “state-dominated multi-structured market system”. That is, while preventing “state regulation failure” based on market regulation, it uses state regulation to correct “market regulation failure”, which is a double regulation mechanism, forming a “double-strong” pattern with the joint force of
the market and the state. Many scholars have confirmed, through their analysis, the decisive influence and positive role of government in innovation as state policy in the Chinese Huang system [25], [26].

Economic change in Chinese society is fundamentally based on simple variations of the political and social system of doing business. On the one hand, political changes have generated the social cohesion and bonding of the whole society, eliminating the rejection of change; on the other hand, institutional innovations, in the legal system, have provided legal security to investments, allowing innovation activities a legitimacy based on law. [27] [28]. The innovations for the Chinese system can be seen from the institutional point of view as a reform of the traditional socialist system, based on the country's political and economic environment. In a first stage, the Chinese system shifted to the development of heavy industry, sacrificing agricultural production.

These changes have accelerated the pace of development of the Chinese system, so the country changed from an agricultural producer to a modern country where industry and services abound. In addition, innovation, as a need for change, has come to strongly influence the ideological sphere, changing the cult of absolute and unique public property, favoring the implementation of market elements seeking diversification and proper use of the components of the national economy [29].

With all these changes, the economy and the private property have been protected and developed more, and consequently, they have obtained the same position that the economy and the public property have in the legal system, counting with a true protection before the law. Property reform has played an increasingly important role in Chinese society, promoting the development of innovation and social development by improving market mechanisms. This has allowed its integration into the world market. Today, China has become the “global factory”. Moreover, in the Chinese system, quality manufacturing has been applied from low to medium and high value-added products [30], [31].

The Chinese system of 2019 has little to do with the old country's expertise in making imitations that many still do not forget. Today the Chinese system is a reality, clear and solid based on technological innovation that could soon dominate the world. Its growth, justified by many principles and socio-political nuances, proves that for the Chinese system its development in innovation goes hand in hand with social development that comes with a general welfare and evolution of the country. It is based on an increasingly educated workforce, large investments and excellent fiscal austerity. This generates a growing interest in capital and technology-intensive sectors. As a result of this growth, its innovation system has become increasingly sophisticated, becoming a dense and complex system that already dominates the world.

Discussion

The globality of the 21st century has been characterized by the production, abundance and consumption of innovative industries, competition, as well as the requirement of recurrent professionalization of individuals, followed by a rapid and unique flow of new technologies.

Everyone who wants to stand out needs to innovate, change generates life, change generates prosperity “How innovative should new researchers be, and should they innovate by improving or creating, Innovation, must continue to be the subject of contemporary reflections on its social contribution, and in which it is stated that ethical problems, in
general, innovation generates development, and that is why we must support it, based on a state-enterprise binomial. However, in practice, innovating often brings complications due to the refusal or resistance to change, such is the case of the essential confusion, which may arise when something is copied or innovated based on a model.

Innovation involves teamwork, the bringing together of factors and the development of sponsorship and protection policies because when you innovate you are doing so at risk.

It is necessary to understand the Chinese society and political system to understand the extent of the challenge they took on, it is not only fighting against the western world it is fighting against the fear of change and against their own culture.

The Chinese system of support and development of innovation has not only transformed the world from the technological point of view but has also changed the millenary system of Chinese society.

Conclusions

a) Although there is a diversity of concepts among innovations, it is fundamental to establish that the innovation of the Chinese system is something different from what is known.

b) An excellent relationship of support to innovators and developers is going to imply a short term investment that can generate a high level of social development.

c) The Chinese system has generated a new approach to social study in terms of government-society relations.

d) The Chinese system has not only dedicated itself to innovation in the technological area but also in the administrative and marketing.

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