

WED-2G404-SSS-EM-01

THE PRACTICE OF STRATEGIC MANAGEMENT OF THE CHINA INDUSTRIAL ENTERPRISES IN A DYNAMIC ENVIRONMENT¹⁹

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***Abstract:** The paper reviews strategic management of industrial enterprises as a dynamic management process that analyzes the internal and external environments of the enterprise, determines and selects effective strategies to achieve the enterprise's goals, puts the strategies into practice, controls and evaluates them, and it is a holistic planning and management process that starts from the top and ends from the bottom. The purpose of the paper is to analyse the practice of strategic management of the China industrial enterprises in a dynamic environment.*

***Keywords:** Strategic management, industrial enterprises, dynamic environment*

INTRODUCTION

The strategic management of industrial enterprises is a dynamic management process that analyzes the internal and external environments of the enterprise, determines and selects effective strategies to achieve the enterprise's goals, puts the strategies into practice, controls and evaluates them, and it is a planning and management process that starts from the top and ends from the bottom (Yun, 2006).

Generally speaking, enterprise strategy management consists of "strategy analysis, strategy selection, strategy implementation, and strategy control", of which the most important is strategy analysis because strategy analysis is the foundation of strategy management (Bin, 2017).

An example for strategic management analysis in a dynamic environment is TONGLI Tire Co., Ltd. Facing fierce competition and dynamic changes in the international market, TONGLI reveals the challenges and coping strategies of Chinese industrial enterprises in terms of development strategy positioning, technological innovation, brand building, and marketing strategy. The analysis shows that in the external environment, the main challenges faced by TONGLI include the impact of international anti-dumping policies, rapid changes in the technological environment, and changes in supply and demand within the industry, all of which have a direct impact on its development strategy. The analysis of the internal environment, on the other hand, points out that despite TONGLI's advantages in production technology and marketing and sales, there is a shortage of high-end talents and the efficiency of internal management needs to be further improved. This paper emphasizes that in a dynamic environment, Chinese industrial firms need to cope with challenges and maintain sustainable development through precise strategic positioning and continuous internal optimization, strengthening technological innovation and brand power, as well as flexible market strategies.

THE CASE FOR STRATEGIC MANAGEMENT OF INDUSTRIAL ENTERPRISES

Overview of the case company

Established in January 2014, TONGLI Tire Co. is a famous tire manufacturing enterprise in Shandong province. With more than 1,200 employees, the company is mainly engaged in the activities of designing, manufacturing, selling, and after-sales service of load-bearing radial tires. The company's designed annual production capacity is about 2 million sets of high-end radial

¹⁹ The paper is presented at SSS on 22 May 2024 section „Economics and Management“ in English.

tires. Founded in 1989, the parent company, Huaqin Rubber Industry Group, is a comprehensive and international industrial group integrating industrial manufacturing (including high-end tires, rubber conveyor belts, steel wire products, electric power, new energy, bio-engineering, etc.), capital operation, medical and healthcare, and inspection and testing (Rubber and Plastic Technology and Equipment, 2020). Under the jurisdiction of more than 10 subsidiaries, the group covers an area of more than 8,000 acres, with more than 11,000 employees and an average annual sales revenue of more than 40 billion yuan, and has been listed in "China's Top 500 Manufacturing Enterprises" and "Shandong's Top 100 Private Enterprises" for many years.

Since its establishment, TONGLI Tire has always adhered to the quality management principles of "focusing on customers", "full participation" and "improvement", and has been actively focusing on and continuously meeting the laws, regulations, and customer requirements. TONGLI Tire actively pay attention to and constantly meet the relevant requirements of laws and regulations and customers, adhere to the middle and high-end brand positioning, and are committed to providing customers with high-quality products and specialized services. The company has an independent and complete R&D and testing platform, with a team of more than 150 technicians, including market research, product planning, structural design, formula research, process development and product validation, and other functions of the whole process, with a full range of products with independent R & D capabilities, has developed more than 400 product models to meet the long-distance/medium-distance/short-distance highway, mixed roads, mines, and other road conditions.

TONGLI's sales market covers all domestic provinces, with more than 150 core dealers nationwide, and exported to more than 70 countries and regions in Europe, America, Southeast Asia, the Middle East, Africa, etc. At the same time, the company provides tires for the China National Heavy Duty Truck Group, XCMG Group, Jinlong Bus, Zhongtong Bus, and other OEMs to provide tire supporting services, and is currently the core supplier of XCMG Group. After more than 10 years of rapid development, Tongli Tire has grown into a professional, high-end tire manufacturer with an average annual output value of about 2 billion yuan.

Problems with current strategies

Although TONGLI Tire Co. Ltd. has made remarkable achievements in the tire industry, including industry recognition for its industrial chain system, product and service quality, globally, TONGLI Tire is still in a weaker position to compete in the international market compared to the international advanced tire production process. This paper summarizes senior management's views on the current strategy and points out that the main problems include:

1. The development strategy lacks clarity and systematization. TONGLI Tire initially adopted the strategy of mass production of products with good sales volume to stabilize the market. Although it is effective in the short term, it limits the improvement of brand competitiveness in the long term. Enterprises need to adjust their strategy, focus on technology research and development, and brand promotion, to establish competitive strategic objectives.

2. Insufficient technological innovation. TONGLI Tires in technology research and development is relatively passive, and there is an obvious gap with international brands. To enhance international competitiveness, it is necessary to strengthen technological innovation, the introduction of professionals, to promote technological upgrading of products and R&D capabilities.

3. Brand competitiveness is not strong. Compared with domestic and foreign brands, TONGLI tires lack advantages in quality, performance, and brand effect. Consumers pay more attention to the brand, so the company needs to strengthen brand building and enhance brand influence.

4. Backward marketing strategy. TONGLI Tires still uses the traditional marketing model, with the lack of accurate research on market demand, resulting in product backlog and capital pressure. Enterprises should update marketing strategies, and flexible responses to market changes.

ANALYSIS OF CORPORATE STRATEGIC MANAGEMENT

External environment analysis

The enterprise's business spans many countries and regions in China and abroad, and the market environment in which it is located is complicated and complex, so it needs to analyze the legal policy environment, economic environment, social culture, and technical environment based on the PEST analysis method. The statistics of the enterprise's overall external macro key analysis are shown in the table below.

Таблица 1.

Categories	External environment	Tendencies	Opportunities and Challenges
Legal Policy Environment	International	Anti-dumping policies of the EU, the US, and other countries	Challenge: The company's products have some difficulties in exporting, which affects the export volume
	Domestic	China's domestic emphasis on environmental protection has gradually increased, and the environmental protection department implements occasional spot checks on key enterprises	Opportunity: The company's environmental protection facilities are well established and the awareness of environmental protection is strong
	Regional	The Law of the PRC on Labor Contracts, which came into force on January 1, 2008, is implemented with increasing specificity	Expansion: Efforts to improve the treatment of employees, and strengthen the training of existing employees, while increasing investment in automation
	Local	Local governments have greater support for businesses	Opportunity: As a large local taxpayer, the government has more supportive policies for enterprises
Technical Environment	International standards, industry standards, regional standards	No major changes at present	N/A
	New areas, materials and equipment	In terms of raw materials, some counterparts still use natural rubber and mixed rubber	Challenge: As the demand for tire performance increases, there is a need to continually improve the material formulation of tires, use environmentally friendly materials, and improve wear resistance, among other things
	Patent validity	Peer and company patents are valid	Opportunity: The company now owns 32 patents and 4 softwares
	Automation, Intelligence	The industry's manufacturing equipment is relatively new	Challenge: At the beginning of the company's establishment, the company adopted inter-national and

			domestic advanced equipment, which needs to be continuously improved
	Informatization	Some peers use barcodes for tire management	Opportunity: The company has a new ERP management system, which uses code scanning in the production process to improve traceability
Cultural and Social Environment	Unemployment rate	The local unemployment rate has remained basically un-changed in recent years	N/A
	Sense of security	Transportation safety and security conditions are getting better and the sense of security is increasing	Opportunity: The company's leadership attaches great importance to the transportation safety of its employees and issues safety items to its employees
	Public Holidays and Public Hours	No change in recent years	N/A
	Human and educational environment	The educational environment is improving and the cultural atmosphere is becoming stronger and stronger	Opportunity: The Group emphasizes investment in education and health-care, providing greater convenience for employees' education and healthcare
	Social responsibility, code of ethics	Improve gradually	Opportunity: The company has a strong sense of social responsibility and supports local endeavors while making a profit.
Economic Environment	Foreign exchange rates	Foreign exchange rates have improved this year relative to the U.S. dollar	Challenges: Owing to the company's high rate of outbound business, exchange rate fluctuations have a significant impact on outbound business
	Economic direction of the industry at the national level	Continuing downward trend in domestic economic growth; weak automotive market with continuous mergers of OEMs; overall sales decline in the industry	Challenge: Declining car sales, which directly affects tire sales
	Difficulty of lending	Intense competition among banks, declining profit margins and negative growth, increased difficulty in business operations, economic downturn, and reduced demand for loans;	N/A

		the government has increased its support for high-tech enterprises, and the lending environment is generally lax	
Political Environment	National political stability	Trends are stable	N/A
	Political stability of exporting countries	The company's products are mainly exported to the EU, Southeast Asia and other regions, its political environment is relatively stable	N/A
	Public investment	Accelerated construction of high-speed railways and increased capacity of rail and sea transportation	Opportunities: The local area is building the Lunan High Speed Railway with a high-speed train station. The airport is also under construction, so the transportation is very convenient
	Local infrastructures	No change for now	N/A

Tire industry environment analysis based on Porter's Five Forces model analysis of supplier bargaining power, the bargaining power of buyers, the threat of potential entrants, the threat of substitutes, and the threat of competitors in all aspects of the analysis.

(1) Supplier bargaining power

The cost of raw materials directly affects the production cost and market pricing of TONGLI Tire. As the company focuses on the production of all-steel tires, the main raw materials include steel, natural rubber, and corrugated materials necessary for tire packaging.

Steel billet material prices

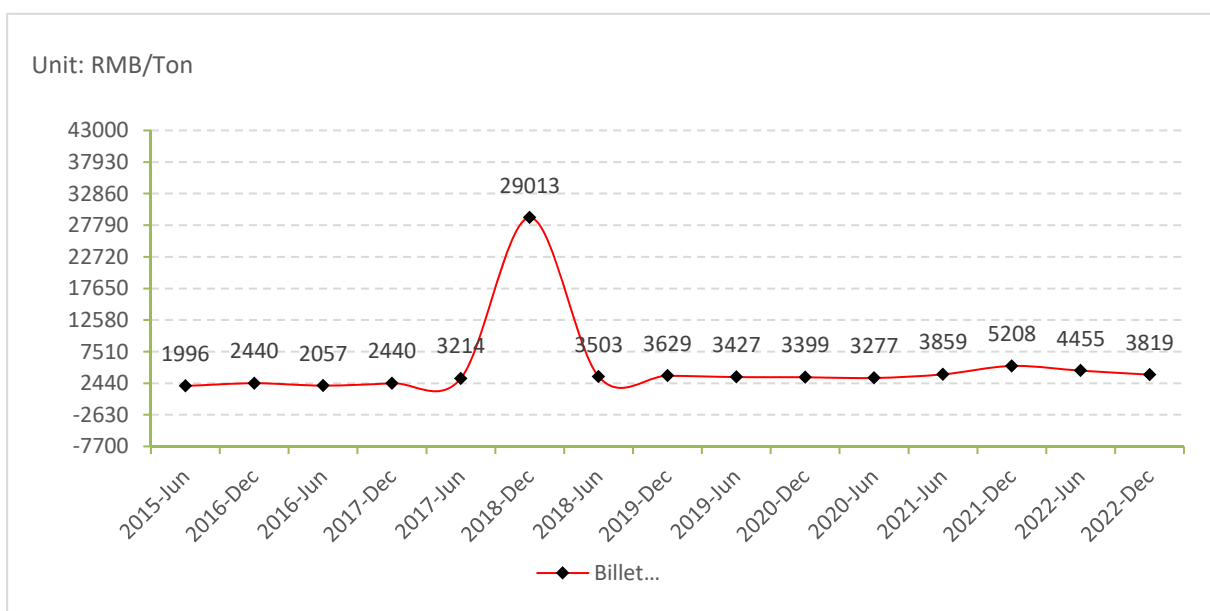


Figure 1. Average Steel Billet Material Market Price Fluctuations from 2015 to 2022

The production of all-steel tires by TONGLI Tire requires the consumption of a large amount of steel, and the Company mainly launches production operations based on steel billet materials provided by suppliers, and therefore mainly analyzes the fluctuation of the market price of steel billet materials. In 2015-2022, the price trend of steel billet in the market is relatively stable, an overall fluctuating growth trend. In 2021, the steel billet market price reached 5206 yuan/ton, began to gradually decline. Overall, the current international market billet production is relatively stable, so the tire upstream billet material suppliers' bargaining power is relatively weak.

Natural rubber materials prices

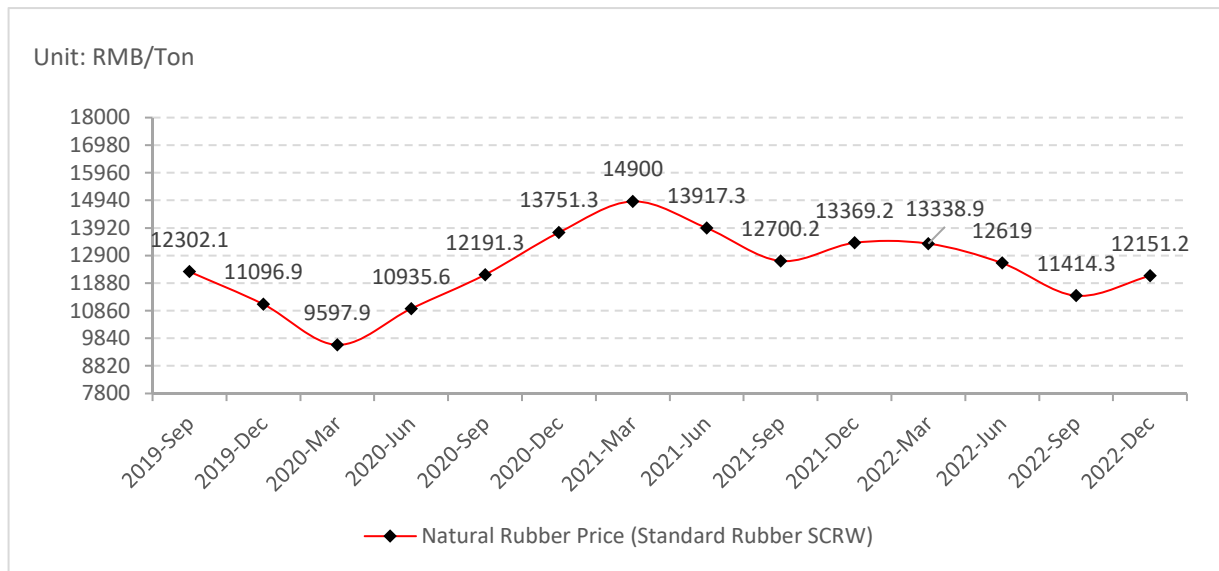


Figure 2. Average price fluctuations of natural rubber materials on the international market (2020- 2022)

From the overall price fluctuation trend, the price of natural rubber materials in the international market is in the stage of downward adjustment and retraction, and the bargaining power of the relevant suppliers is relatively low.

Corrugated paper material prices

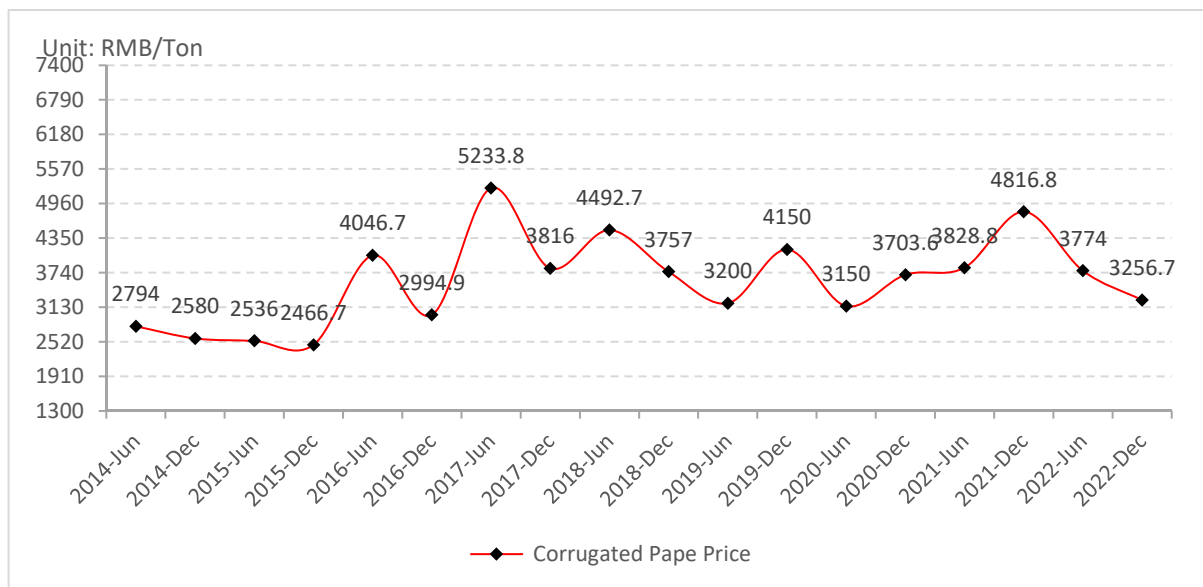


Figure 3. Average Price Fluctuations in the International Market for Corrugated Paper Market (2014-2022)

In terms of price trends, the average market price of corrugated materials remains at a high level, with some room for downward adjustment, so the bargaining power of related material suppliers is not strong. Volatility trend line graph.

(2) Bargaining power of buyers

In terms of purchasers, TONGLI Tires are mainly supplied to OEMs and the retail and repair markets, with direct bulk transactions with large OEMs such as Beijing Automotive Industry Corp, Shanxi Automobile, First Automobile Works, etc., and lower influence in the smaller retail replacement market. These OEMs have strong bargaining power due to bulk purchasing, especially in the pursuit of lightweight tires and low emission standards, and demand higher quality tires, forcing TONGLI Tire to make concessions on price. On the other hand, drivers in the retail market demand higher tire performance, and with the increase in lightweight tire options, TONGLI Tire needs to maintain its competitiveness by reducing prices and offering discounts, resulting in its bargaining power in the retail market being lower as well. Therefore, due to the high degree of competition in the market and the impact of the lightweight transformation of the tire industry and environmental protection policies, the bargaining power of the downstream customers faced by TONGLI Tire is stronger and its pricing is in a passive position.

(3) The threat of potential entrants

The tire manufacturing industry requires a large amount of capital investment, from the procurement of raw materials to the production process, including the procurement of key equipment, some of which are worth up to tens of millions of yuan. The entire production process involves not only tire manufacturing but also huge production facilities and capital. Typical factory construction needs to cover thousands of acres of land, the initial cost can be up to hundreds of millions of dollars, showing the high capital threshold of the tire industry. For example, the initial investment in the Qingdao Double Star Tire 4.0 project exceeded 4.5 billion yuan, and the fixed assets of listed companies in the tire industry accounted for more than 1/3 of their total assets on average, establishing a high entry threshold.

Each link of tire manufacturing, including steel billet melting, wheel casting, etc., requires precision processes and high technical requirements, and the introduction of basic technologies and the establishment of a full set of technology systems have huge capital requirements. In addition, tire production relies on key industrial technologies, requiring a large number of technicians, managers, and marketing teams. High-quality human resource requirements and the difficulty of building a large-scale workforce further increase the difficulty of entering the industry. Although the development potential of the tire market increases in line with the growth of global automobile sales, in terms of the entry threshold, the threat of potential entrants faced by TONGLI Tire is low.

(4) Threat of substitutes

TONGLI Tire mainly produces steel tires, reflecting the mainstream choice of automobile wheels and industry demand in the early years within China. However, with the increase in environmental awareness and environmentally friendly tariff policies, the market has begun to shift towards lightweight tires, promoting the development of tires made of aluminum alloy and magnesium alloy materials. These new alloy tires are popular in the market due to their lightweight, high rigidity, and good wear resistance. Nonetheless, steel tires are still widely used in most light and heavy trucks, but the assembly rate of aluminum alloy wheels in the passenger car market has exceeded 50%, demonstrating the high market demand for alloy wheels. Alloy tires, although more expensive, pose a greater competitive threat to TONGLI Tire's steel tires. Meanwhile, there are enterprises in the market developing carbon fiber wheels, but due to their high cost and complicated manufacturing process, the large-scale production and market demand for carbon fiber wheels are limited in the short term. Therefore, the substitution threat of carbon fiber tires to the steel tire products of TONGLI Tire is low.

(5) Threat from competitors in the same industry

TONGLI Tire will be squeezed by domestic enterprises in the same industry in domestic and foreign trade activities, and will also encounter competition from tire companies in various countries around the world. The following is a discussion of the competitor threats to TONGLI Tire from both domestic and international perspectives. TONGLI Tire competes fiercely in the domestic market with well-known and established tire manufacturers such as Chaoyang Tire, Haitai Tire, and Triangle Tire. These competitors have developed a high price/performance ratio due to their long-term market presence and rich operational experience, as well as the advantages of large-scale production, making it difficult for TONGLI Tires to compete in the market with each company under similar performance conditions such as abrasion resistance and stability.

In the international market, TONGLI Tire faces competitive pressure from Michelin, Bridgestone Goodyear, and other globally renowned tire brands. With years of industry experience, advanced R&D technologies, and efficient production processes, these competitors have established stable customer networks and significant brand advantages worldwide. Some of them are already in the process of transitioning to and making progress in alloy tires to further enhance their competitiveness in the market. Therefore, TONGLI Tire has to face a greater threat from competitors in the same industry in the process of selling tires in the international market, and its competitive advantage is not obvious.

Based on the five forces model, combined with the discussion and analysis with the head of the company's internal marketing team, this paper assigns values to the degree of threat of market competition in each dimension of the five forces model, and draws a radar chart for the analysis of the competitive situation in the tire industry of TONGLI Tire, as shown in the figure below. It can be found that Tongli Tire in the five forces model dimensions of the highest degree of threat to the buyer bargaining power, followed by the threat of competitors in the same industry and the threat of substitutes. Supplier bargaining power is mainly formed due to the large number of enterprises in the same industry, so it also has a certain degree of threat. The level of threat from potential entrants is less due to the high barriers to entry in the industry. TONGLI Tires in the market sales operation process, should pay attention to continuously improving the technical content of their tire products, improve the cost-effective, and strive to catch up, to pull down their own and domestic and even the international industry leading enterprises in the quality of products, to enhance the competitiveness of the tire industry market. In addition, we should pay attention to billet, rubber, and other raw material price fluctuations, full supplier price, quality comparison, and multi-price comparison, to reduce product production and operating costs, improve the price elasticity of space, enhance the price level advantage of the same industry, to enhance the sales of tire products.

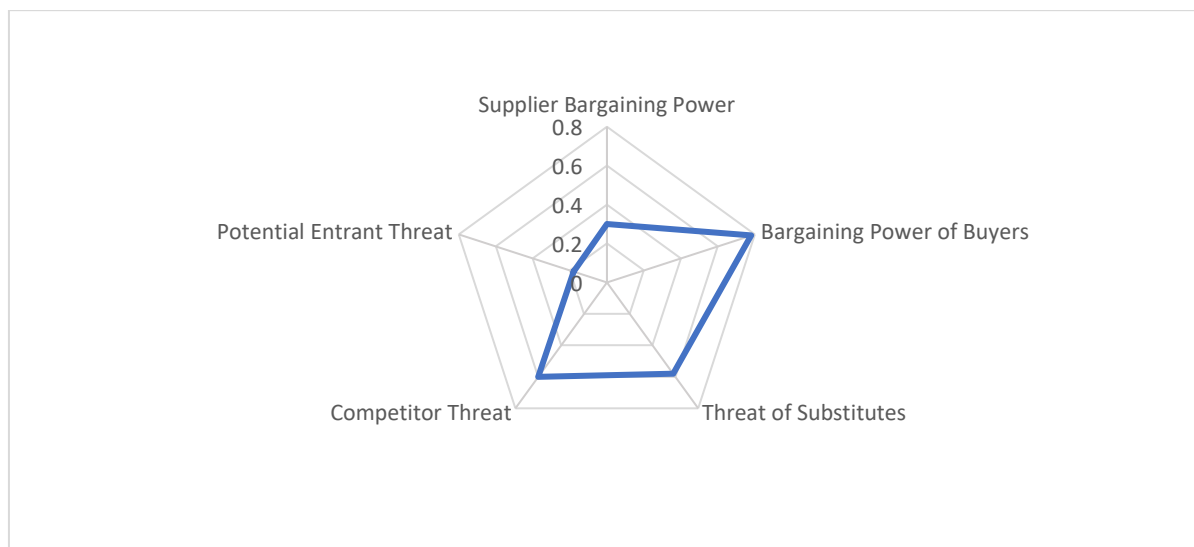


Figure 4. TONGLI Tire Industry Competitive Situation Analysis Radar Chart

Internal environment analysis

(1) Corporate Resources

TONGLI Tire shows obvious advantages and potential challenges in terms of corporate resources. Its production resources are strong, with two production modes: pulling and pushing, with an annual production capacity of 2 million tires and 642 sets of key equipment to ensure production efficiency and product quality. These equipment are mainly imported from abroad, such as Krupp from Germany and Rudolph from Italy, which puts the company at the forefront of the industry in terms of technology and equipment. In terms of human resources, TONGLI Tire has established a people-oriented management system with 1,250 employees but faces the problem of insufficient reserves of high-end talent. The corporate culture focuses on green, innovation, high efficiency, and quality, which guides the company's long-term development. However, sensitivity to market changes and lack of high-end talent may affect the effective utilization of its production resources and the in-depth implementation of its corporate culture. To summarize, Tongli Tire needs to strengthen its existing resource advantages while addressing the lack of a talent pool to support its sustainable development in the future.

(2) Enterprise Capacity

In terms of corporate capacity, TONGLI Tire has demonstrated strong production and technology development capabilities. Through international cooperation and continuous technical investment, the company maintains an industry-leading position in product design, formula optimization, and production process, and can respond quickly to market demands and changes. Its financial capability has safeguarded the stable development and profitability of the enterprise through effective fund management and fundraising strategies. In terms of organizational management, the company has improved its work efficiency and employee satisfaction by optimizing the job establishment and sorting out management processes. However, the continuous demand for funds for technological innovation and the shortage of highly specialized talents in human resource management are challenges it needs to face. Therefore, strengthening financial management and talent cultivation is the key to enhancing the corporate capability of TONGLI Tire.

(3) Enterprise core competitiveness

The core competitiveness of TONGLI Tire lies in its technology research and development capability and corporate culture. With the title of national high-tech enterprise and several technology patents, the company has formed a strong technological innovation system. This is not only reflected in the high performance and diversity of its products but also the high efficiency and environmental protection of its production process. The emphasis on corporate culture provides employees with a market-oriented work environment centered on the pursuit of excellence, which further enhances the company's cohesion and market competitiveness. However, to continuously maintain and develop this core competitiveness, TONGLI Tire needs to continuously invest in research and development, and attract and train more high-end talents to ensure continuous innovation and deepening of technology and culture.

CONCLUSION

TONGLI Tire Co., Ltd. is a model enterprise in China domestic tire industry, and in the process of its development, the enterprise has gained satisfactory development results but also faces a series of development problems that need to be solved urgently. For most of the tire companies in China, the problems faced by the enterprise are more of a general problem. This problem is not only reflected in the enterprise but also the whole tire industry. In the research process of this paper, in the full combination of the basic viewpoints and ideas of strategy theory based on the premise of scientific analytical tools, the enterprise is currently facing the internal and external environment for an all-round analysis and interpretation of this paper's conclusions are mainly the following points.

First, the macro-environment in which TONGLI Tires are located is more relaxed, with certain realistic development conditions. Although the international scope of green trade barriers

to policy diversity gradually increased, China's steady economic development, the Western developed countries, and the higher level of consumption of residents, for the sales of Chinese tire products provide a good economic environment. In terms of technology, Chinese tire product quality gradually improved, and overseas recognition is slowly rising. On the social and cultural level, China's domestic and foreign residents who purchase tire products will consider their wear resistance, anti-skid, and other aspects of performance level. As long as actively improves product performance, the development prospects of tires are very bright.

Secondly, TONGLI Tire market competition pressure, the development of more obvious obstacles. The bargaining power of suppliers facing TONGLI Tires is low, and the bargaining power of buyers is extremely strong. With the emergence of the lightweight trend, the degree of threat of alloy tire substitution is gradually rising, and China's domestic and international competition in the same industry is becoming more and more intense. TONGLI Tire industry's competitive advantage is not obvious, facing great market pressure.

Thirdly, TONGLI Tire itself is richer in internal conditions and resources and has a certain degree of development. TONGLI Tire operation time is longer, the infrastructure is more complete, higher capacity. The company's internal organizational structure is reasonable, set up a systematic human resource management system, and the employee satisfaction level is high. The atmosphere of enterprise culture is relatively strong. The company's technical support and hardware security are more comprehensive, and the production process is solid. The centralized fund management mode fully guarantees the financial fund management ability of the enterprise. The sales model of direct sales and agency dual-line operation has ensured the enterprise's product sales capacity. Overall, with the development of many years, TONGLI Tire has accumulated relatively strong internal resources, and all aspects of the conditions are relatively solid.

Fourth, TONGLI Tire's internal resource advantages are more obvious, but there are also many disadvantages, opportunities and threats are more balanced. After years of operation and growth, TONGLI Tire's customer resources, equipment, and technology, capital base, product quality in all aspects have a certain market advantage, but still lack high-performance tire products, lack of high-end product brands, the number of professionals is insufficient, product sales and intelligent management are short board. In the increasingly fierce competition in the same industry, industry chaos, trade barriers, labor costs, and other threats, TONGLI Tries to grasp the opportunity for domestic economic development, with the help of policy support guidance, comprehensive globalization of business cooperation operations, and actively use cross-border e-commerce trade to meet the market for various types of customers rising consumer demand for tire products.

The purpose of this paper is to explore the strategic management practices of Chinese industrial enterprises in a dynamic environment, with TONGLI Tire as the core object of analysis. Despite the in-depth discussion of this study on the strategic management of TONGLI Tire, due to the extensive content of strategic development and multidimensional research needs, the analysis of the macro-environment and the competitive situation of the industry is insufficient due to the limitations of the research capacity and space, which requires further optimization and refinement in the form and content of the argumentation (Papazov & Mihaylova, 2015). Future research should expand the scope of the research object and deepen the research on the generalized problems of strategic management of Chinese industrial enterprises, to formulate more precise development strategies and safeguard measures, and to enhance the broad applicability of the research. In addition, it is emphasized that the depth and breadth of market research and data analysis need to be strengthened to build a solid foundation of macro and micro environmental analysis, to provide a more accurate assessment of opportunities and threats for Chinese industrial enterprises' strategic planning, and to enhance the practical value of the research and the effectiveness of strategy formulation.

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