

**THE BEHAVIOR AND MECHANISM DISCUSSION OF
INTELLIGENCE-INTEGRATION IN SMALL AND
MEDIUM-SIZED ENTERPRISES**

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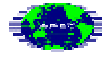
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ABSTRACT

With the emerging of the age of knowledge economy , the small and medium-sized enterprises, which play a magnitude role in a state's economy, are facing a new task that maybe more important than financing the task of "intelligence-integration". It means a modem administration activity aim at absorbing the brain resources. This article with the small and medium-sized enterprises as the main object, the maximizing of the whole state's brain resources as the main object.



FOREWORD

The small medium-sized enterprises are those total sales or turnover is less than 50 million CNY, which have the characteristics of short-term objectives, fast-changing strategies, lack of professionals and the forth.

The “Intelligence-Integration” in small and medium-sized enterprises means an administration activity developing and taking full advantage of intelligence resources that are existing, creative, but may not be taken seriously, to serve for enterprises and create considerable values.

The purpose of intelligence-integration services for small and medium-sized enterprises is to provide the best integration of market, capital, technology, information and human resources, to improve competitive edges and to strength the risk-resistance capability. Based on the diagnosis of aspects such as development strategies and policies, regulations and rules, operation processes, staff behavior specifications and organizational culture, with the introduction of an effective management mode to improve regulations and rules, offering proposals on business strategy, operation process and organizational culture, meanwhile implementing a series of training on staff management, performance and behavior standardization, the enterprises may have much knowledge of self-management, form an operation mechanism involving responsibility, right and benefit, to achieve healthy, long-term and steady development by motivating employees.

STRENGTHS AND WEAKNESS

There is a saying: “It is easy to turn round for small boats.” Indeed, as for big enterprises, the small enterprises with combination of ownership and managerial authority have unparalleled strengths in business decision and specific operation efficiency. Small-scale enterprises can react in business and adapt at external environment quickly. But it is easy to “turn round”, also easy to “turn over”. Small enterprises have much more difficulties than edges as well.

- Small number of employees, lack of professionals in some sectors;
- Leaders make decisions only on their intuition without scientific basis;
- Most of leaders are specialists or experts in some field, having little knowledge of other fields, lacking modern management skills;
- Enterprises’ development keeps steady resulting from leaders’ personal traits and the promising prospects; lacking standardized management.
- Leaders wouldn’t like to have links with best enterprises for worrying about being annexed.

The characteristics mentioned above confuse many leaders after small enterprises have developed to some extent. Either turn round abruptly in the face of “dangerous shoal” in markets; or stop developing further and keep within their own field, even



knowing the clouded prospects, and miss new improvement opportunities; or go forward without thinking and lead to competitors' counterattack. Therefore, if small enterprises are expected to become large businesses one day, it is urgent to be supported by the government and society. Since small and medium-sized enterprises play an important role in economy and society, after separating ownership from managerial authority, governments should emphatically establish social service system and provide pre-, during-, after-production service for small and medium-sized enterprises and form a service network.

INTELLIGENCE-INTEGRATION

The study of "intelligence-integration" will concentrate much on the point of "shareability". Usually, it is inevitable to pay high price for valuable acquisitions. But small and medium-sized enterprises hope to pay as less as possible and obtain as much as possible. Though it seems like a daydream, a kind of new mechanism can be constructed to maximize the sharing and bring every bit of talent into full play as several times, dozens times even decades times, which is the same as data-sharing revolution in network era. So intelligence-integration is just to make fortunes by others' brains. We can say it is a further development of recommending new talents.

Available Intelligence-integration Cases

Hong Kong Hang Lung Center

To study Chinese business management deeply, Hang Lung Center invited some scholars to Hong Kong in July of this year, with systematic and well conceived planning. During this period, scholars were divided into groups, and every group respectively put forward current problems on Chinese business management, then select meaningful issues to design research programs, finally all the groups reported their programs together. Thus, Hang Lung Center has acquired not only different aspects of management issues and information, also the research programs. It can't be estimated in the view of research and information values.

Henan Bangjie Company

Bangjie began to integrate intelligence in 1999. It invested 500 thousand CNY to found "Bangjie Center for Small and Medium-sized Enterprises Management Research" with prominent universities, in which professors directly participate in management-decision making, offer programs and resolving measures. But very few people know that thousands of money has to be spent in advertising for one product, here only 500 thousand CNY spent, long-term help can be got from the "intelligent group".

Guangdong Hua Wei

Hua Wei Company invites six professors from the People's University of China to diagnose the matter of management regularly and irregularly, which only needs to



pay 3,000~20,000 CNY per person per month for consulting.

The above examples indicate that small and medium-sized enterprises can get high-level intelligence service but cost a little.

Reference Conception of Intelligence-integration

Lease Intelligence-integration

Lease means lessors grant lessees to possess and use properties during contracted period when paid by lessees.

When an enterprise requires urgently some specialists in a short period, for instance, a network technician to establish MIS, and no specialist can undertake the task internal, it is certain to employ one from external. But the problem is that the specialist may not be wanted any more after the system is established, and daily maintenance can be dealt with by computer operators. So, this kind of costly recruitment is not appropriate for small and medium-sized enterprises.

It is not necessary to have eggs every day, perhaps have one in a week. So we can buy some eggs when wanting and have chickens bred rather than raise a hen by ourselves. The characteristic of tentative requirement of eggs is the same as that of lease. It is very ideal to rent a hen to have eggs. But it is still very difficult to find a place to buy eggs at any time.

Construct Service Network of Intelligence-Integration

There are a lot of operating entities that provide all kinds of specialized services. They will come up to serve when enterprises have requirements and make a phone call. These entities are so specialized that the costs and prices of the services are not very high.

“Wisdom Bank”

Banks are considered as a place to collect and distribute funds. Small and medium-sized enterprises make relationship with banks for support of loans. In fact, we can set up a suppositional institute, suppositional wisdom bank or talents banks and so forth, to provide intelligence services for small and medium-sized enterprises, such as

1. Consulting service of how to use and develop human resources.

2. Information consulting. Small and medium enterprises are restricted by its scope and have not enough funds to develop new products, but banks have natural advantages of it. Banks keep in touch with hundreds of thousands of enterprises and have a whole view of them, so they can provide the small and medium enterprises with such information as market requirements, new approaches, technologies, equipment which are helpful for products development.



3. Financing consulting. Lack of specialized finance talents, small and medium-sized enterprises are not familiar with financial market. Banks can help them finance efficiently, simply and low-costing. Also banks can provide consulting on long, medium or short-term investment for those having idle funds.

4. Planning and operation of assets reconstruction. Assets reconstruction involves a series of specialized knowledge and experiences of finance, investment and securities. Banks can offer consulting on information, laws and regulations, which may become resources of new transaction, also contribute to economic reforms.

“Enterprises Clinic”

According to newspaper, Shanghai Light Industry Holding Company has set up an “enterprises clinic” that over 10 famous entrepreneurs offer services. They point out problems on the spot for the fixed enterprises that are in difficulties. The first 12 large-loss enterprises have registered. They and their “doctors” make efforts to search for a method to turn losses into profits.

It is an inspiring report. “See doctor” can be said to an action of intelligence-integration. If “enterprises clinic” is popular just like practical hospitals, and enterprises in trouble can get help conveniently, it is no doubt a Gospel for small and medium-sized enterprises.

FEASIBILITY CONDITIONS

If “intelligence-integration” is to be developed to a social service system, not only an organizational behavior, or some clever person grasps opportunities to become a pioneer in a new industry, the problems should be considered all-sidedly and carefully.

Demand of Intelligence Requirers

Considering intelligence-integration as a process from which both two participants can benefit, it involves at least two groups: requirers and suppliers. Here the requirers we mainly mean are small and medium-sized enterprises, whose demand can be understood. Then a direction current is formed:

Suppliers $\xrightarrow{\text{intelligence}}$ requirers

Recognizing the importance of intelligence for enterprises, especially for small and medium-sized enterprises, it is possible to understand equally the urgency of intelligence requirers. That is to say, the factors on the right of arrow have strong incentives to intelligence-integration.

Demand of intelligence suppliers

Intelligence requirers’ urgency can be understood relatively, then do the suppliers

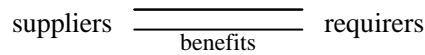


have the same strong requirements or care little about it?

Companies are worried as if a house caught fire when needing hands, but specialists still stay at home doing nothing—they hope to be sold off.

According to statistics, in big and medium-sized cities the turnover rate of specialists increases as 5% per year at present, and ideas of selecting occupation have changed a lot. The first choice is not light pressure of work and job stability any more, but high salary and able to give full play to their professional knowledge. Under the circumstances, more and more specialists hope to be commercialized and “sold” by intermediary companies.

This shows us that not only enterprises, those potential intelligence suppliers also have strong, not less than enterprises’, demand, eager to turn knowledge into wealth, individual and social wealth as possible. It is a new issue in the Age of Knowledge Economy. The model of above section can be converted into:



Social Demand

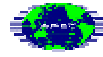
It is surveyed by State Scientific and Technological Commission, in our country, only 14.6% of professional technicians can give full play to their talent while working, and 30% of them can do little for the present. Another management center for scientific research shows, in large and medium-sized enterprises of China, only 47.7% of engineering technicians are able to develop themselves and the rest 52.3% can do nothing.

Some enterprises may have many “inventory talents” for the following reasons:

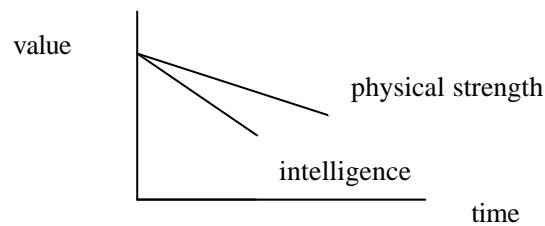
1. Some enterprises recruit many talents of the same sort, which causes the surplus. Or they employ the kind of talents who are not needed at present.
2. Some enterprises have not enough market requirements for their products to make full use of the fixed assets and human resources.
3. A few leaders are narrow minded, so that they are reluctant to bring the professional knowledge of the talents into full play out of envy.
4. Some leaders tend to appoint people by favoritism and real talents work on unsuitable positions.

For these reasons, the limited human resources are wasted somewhere and can’t contribute to the society or country. So the society needs to build up a system through which the human resources can flow freely and make the most of their wisdom.

The common ground of “financing” and “intelligence-integration” is that both will devalue with the passage of time, till to be scrapped and valueless.



Equipment and machinery will devalue for wear and tear; currency and cash also have “time value”. Capitals will become a loss as “opportunity cost” without being used. Human resources, which will devalue as the passage of time likewise, means the sum of labor forces among all of the people within some scope, or the generalization of people who possess intelligence and physical labor capacities which can propel the society and economy forward. Skills are getting rusty without practising; physical labors are going down with aging. Science and technology stated above will be affected more obviously by the time. As the following illustrates, the speed of losses of intelligence is much faster than that of physical capabilities.



So patent technologies will be protected within the number of years. Beyond this, the protection will become meaningless because the technology has lost its value. Values of human resources are named as “human resource capital”. It promotes a dynamic concept and warns us to add new values continuously, which is increment of human resource capital. Because of the depreciation of intelligence capital, naturally it is very urgent to take full advantage of it and make it revalue.

It is easy to know from the above analysis, the real significance of proposing the concept of “intelligence-integration” is that it points out a bright direction of resolving problems of enterprises’ existence and development, especially for small and medium-sized enterprises, not only puts forward a completely new and modern conception of using talents. When facing a golden opportunity large enterprises perhaps have to give up for the complexity of changing production line, but small enterprises can catch this opportunity to change the whole business in short time. The present facts have proved, neither lacking these enterprises which need the “golden ideas”, nor having the available “pioneering intelligence”, on the contrary, both sides are eager to exchange their requirements, just being short of a smooth and complete communicating channel.

DISCUSSION OF BUILDING THE SOCIAL MECHANISM OF INTELLIGENCE-INTEGRATION

“Intelligence-integration” is very important to support small and medium-sized enterprises as well as “financing”. So a kind of social mechanism has to be built, and it’s a tremendous, social systematic project just like the construction of “financing mechanism”.

The Principle of “Pareto Optimum”



The economy can not improve any others' utilities by changing the allocation of products and resources without decreasing one's utility. On the contrary, "Pareto no efficiency" means the economy can promote one or some people's utility by changing the allocation of products and resources with holding one's utility. In the situation of no efficiency in economy, if reallocating the resources, the level of some people's utility will increase while others' won't lower. This reallocation is called "Pareto improvement".

Here, we regard products and resources as labor forces and human resources, and consider improving the utility of one or some enterprises even the whole society. Then we can say the use of talents is in a state of "Pareto no efficiency" and needs "Pareto improvement".

At present, the specialists generally work in a state of "light load", which shows the situation of using talents is dissatisfactory. People's talent cannot be done justice in their own unit. If we make the most of talents to improve the utility of some enterprises which need hands urgently, while keeping the utility of those the talents belong to, is it possible to improve the using efficiency of the whole country or society? From the analysis of current situation, it is quite possible. It only needs to change the method of allocating talents in the society, namely, "Pareto improvement".

Establish New Methods of Allocating Talents

Talents are also a production factor. The quantity and quality of talents are the main deciding elements. If talents of the whole society are considered thoroughly and brought into full play, the method of allocating talents is an important factor besides the quality and quantity.

From an elementary level to an advanced level the method can be divided into 3 parts:

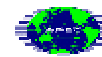
Brownian movement→intermediary communication→operating lease

Brownian movement

"Brownian movement" is a physics concept. It means molecules or atoms of fluid move and collide at random and irregularly, and the movement of individuals is hard to predict and control. We name it as Brownian movement because irregular, spontaneous movements and random collisions of talents fulfill the allocation process in talents market. The process is spontaneous, blind, random and macro-uncontrollable, but is direct, flexible, convenient and efficient during the contact of requirers and suppliers.

suppliers→requirers

The allocation of "Brownian movement" is relatively primitive. The essential motivation is the benefits of two sides. Like molecules' energy consumption incurred by collision in Brownian movement, the method of allocating talents, in the sense of whole society, has few probabilities of rational allocation. It is impossible to gain much social



effects, the balance of demand and supply is also temporary and partial. Meanwhile, for lack of micro statistics, the market information on demand and supply is inclined to be false and delayed. It will cause excessive feedback of all kinds of information, worsen the imbalance and uncontrollability. In addition, considering their own benefits, intelligence requirers and suppliers couldn't conscientiously undertake the responsibility of safeguarding whole social interests. As well it may lead to conflicts between them.

Generally speaking, the talent allocation of Brownian movement is a method with obvious faults.

Intermediary Communication

This talent allocation with intermediary communication means suppliers and requirers select each other by the way of special middle-organization, till meet both sides' demand. Its characteristic is that intermediary organizations gather information on supply and demand, select the suitable partners and play a role of "go-between". Suppliers and requirers get in touch with each other through them.

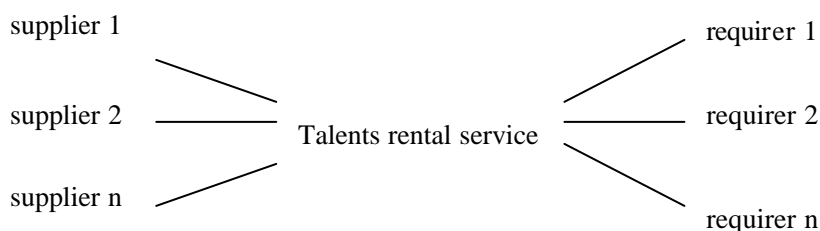
suppliers→middle-organization→requirers

This method is open, information sharing and widespread. It greatly improves the scale benefits of allocation, to a relative extent, overcomes and eliminates the faults of Brownian movement such as blindness, spontaneousness and uncontrollability, which makes the management of talents market enter a standard, perfect and harmonious stage.

Although this method may play a role of guidance by immediately releasing information, it is not authoritative. Evaluated from the whole society, this method can't, to the greatest degree, realize the whole benefits of social talents and avoid the blindness of operation. Under the circumstances of imperfect market and legal system, some intermediary organizations are very prone to lack of standardization.

Operating Lease

Operating lease regards talents as a relatively independent production factor. Departing from other factors, as a kind of resources or capital inventory, a managing object and profitable means, talents are managed by professional companies, and allocated in a way of compensated lease according to the employing units' demand. This special business is called "talents rental service" or "talents assigning company".



The difference from intermediary organizations is that talents rental service is a



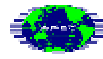
socialized enterprise with corporate qualification, and possesses rights of operation, management, control and gains. It is an independent behavior object with united operating qualification of responsibility, rights, duty and benefits on human resource development, allocation and supersession. Without shifting ownership, rental companies assign talents, offer labors to requirers and collect rents according to the market and demand. After fulfilling tasks the talents will return and wait for the next opportunity. The talents are long-term employees and paid by the rental company.

The allocation of operating lease is carried out in an open job market. Suppliers and requirers both can accomplish the commercialization of intelligence and labor forces with the aids of information communication from renting companies and regulating function of markets, on the base of consensus reached by three sides of management (talents rental company), supply (talents for lease) and lease (employing unit). This method will eliminate very effectively the social faults of smothering and stifling real talents caused by private monopoly of human resources. It is very valuable for resolving structural problems on imbalance of talents' supply and demand, and common on-the-job unemployment.

To sum up, we can draw a conclusion that the allocation of operating lease is the direction and goal tried to meet. It has many important edges:

1. It breaks with the traditional dual-subject model, that is, individuals as suppliers and employing units as requirers, and achieves a leap to more steady and balancing three-subject model involving business administration, talents and employing units.
2. It realizes the strategy of talents optimum allocation transfers from microcosm to macrocosm, from individual to entirety, from labor forces to social resources.
3. It makes the administers, suppliers and requirers reach an agreement to the greatest degree on benefits on the base of three rights (social management right, individual occupation selection right, unit using talents right) mutual control, market regulation and contract guarantee.
4. It indicates talents as an independent productive factor, separate from productivity and will realize the specialized allocation, enterprise operation, socialized management and industrial development.

The more markets develop, the more divided management, which is an inexorable law of increasing economic benefits. Under the condition of modern market economy, talents as the most complex and initiative production factor, it is an inevitable direction to establish a market-oriented, specialized, socialized and large-scale business management mechanism with the help of internal benefits mechanism. It is an important task for government to establish the talents using and allocating mechanism.



Concepts Training and Proposals of Government Measure

Leading Directors to Form a Social “Intelligence Sharing” Concept

In modern society the flow of trained personnel has become more and more frequent and normal. “Changing a job” or “job hopping” is very widespread. Enterprises begin to face the problem of retention while thinking of recruitment of talents. In some enterprises, critical technicians are only paid relevant salaries with their technical level, not supported even allowed to attend examinations similar to professional posts to obtain general standards admitted by society. So they have no qualifications for working for other businesses and have to keep their minds on their work in the unit.

We can't say this method of work is not clever, but it is very narrow and limited if considered from interests of the whole society not from individual benefits. Talents belong to the country and whole society in the final analysis. They become one part of an enterprise merely through the interest's relation or realize their values by the medium of enterprises. The method of keeping one's own property obstinately will impede talents inevitably to improve and develop further, which is the social loss, also enterprises' own loss. Since human resources is a dynamic concept the static human resources will depreciate continuously. It is necessary to add new values constantly. Monopolizing talents will result in shortage of incentives to ongoing study.

I am impressed deeply by the viewpoint of “intelligence sharing” proposed by a personnel manager from some enterprise. He advocates talents shouldn't be taken as our own private property and should be encouraged to develop themselves; the flow of talents shouldn't be regarded as flood and beast of prey as well. If every enterprise can do this the human resources of whole society will be extraordinary active and prosperous, every enterprise will become a processing station among the talent flow and contributes to our society.

Referring to the supporting forms of “risk investment” and “pioneering fund” to small and medium-sized enterprises, establishing a special collecting organization, pooling those temporarily idle intelligence resources, just like collecting idle capital from masses to form an “intelligence fund”, and searching for targets to “invest intelligence”.

Building up a management organization to serve for small and medium-sized enterprises specially, providing guidance service on “intelligence-integration”, for instance, valuable information such as acquisition methods of expiring patents. Training management staff to form the concept of intelligence-integration; establishing intermediary organizations sponsored by government, making a model for markets; investigating conditions of supply and demand, publishing the data to catch attention.



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