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STRATEGIES FOR SHAOXING TEXTILE COMPANIES IN ECONOMIC CRISIS. CASE
STUDY: BOLA TEXTILE COMPANY.

Bachelor's Thesis 2010

ABSTRACT

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During the last decades, China witnesses the fastest growth in World's economy, and has played the significant role, but in 2008, because of the global crisis, international market shrank dramatically. In this crisis, Shaoxing, located in the Yangtze River delta and the main area dealing with textile manufacturing and processing, got severe influence in the textile industry. Because of that, the recession on the international market results in the heavy burden to Shaoxing textile and garment manufacturers, followed by a series of problems as less orders, capital tightness, products overstocking and so on.

The purpose of study is to find out the general problems of Shaoxing textile industry: shrank market demand, new competitive countries, labor and maintenance cost and plenty of anti-dumping investigations. Then through doing research and analyzing the specific case of Bola Company as a case to build a series of solutions to help Bola Company which is trapped in the tough time to overcome the difficulties. However, through those methods may not only suitable for Bola Textile Company, hopefully can also be taken for other textile companies or even in the whole industry line.

This study will also take the qualitative research into analyzing the Shaoxing export textile industry, and obtaining the first hand materials from the Bola Textile Company by sending email, questionnaire and making telephone communication.

The study is based on the theoretical framework and empirical work, which has been found the sales revenue is going down in the economic crisis, to change this tough situation, the research results including about eight suggestions in the ways of cost control, management and human resources to improve the operation of targeted company in the whole running process.

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1 INTRODUCTION

1.1 Background

China has become the world's fastest economical growing country in the globe since 1978 year, which plays an important factor in the world economical development. However, because of the global financial crisis threatening, Chinese economy has made a serious drop. Several Chinese industries have a severe blow to the crisis, especially in the export sector. It has been reported that millions of workers were laid off. The main function Chinese government at the moment is maintaining social stability and trying to turn the economic into the phase of growth. (Chan 2008.)

Because of the global economic crisis, the total demand of international market becomes smaller. Shaoxing, where is located in the Yangtze River delta as a main base of textile manufacturing and processing in China suffers terrible influence of bad economy. Without doubt, the decline of international economy must be sure let the Shaoxing textile companies bear the heavy strains. Under the circumstance, the problems of tight finance, over stocks and other series unpredictable things come out. (Tao 2008, 17-18.)

From the middle of 2008, there is obvious downwards trend of China's textile and garment exports, the value of textile export goods is 185.17 billion US dollar, rising by 8.2 percent from the previous year. However, the growth rate of exported textile goods was declined by 10.7 percentage points comparing from 2007. These numbers illustrate the total global textile market demands rising speed or rate becoming more and more slowly, which is also obviously blocked the Chinese textile and garment export volume. (People's Daily Online 2009.)

Shaoxing, as a main textile producing and exporting area in China, is my hometown and thousands of local people are working related to the light

industry, even my relatives and friends. Another important fact is that friend of my father works in this company, which is convenient for gathering information. In other words, after graduation, I will go for this textile area. So, it is important to make a research before for my future work.

1.2 Research objective

During the severe international financial crisis after the middle of 2008, a number of export companies not only textile or clothing companies, but also other manufacturing factories in Shaoxing faced the serious difficult tasks and challenges. There are some industry indexes indicated that one third of Shaoxing local textile enterprises fronting closing their doors. Zonghen Group, the biggest local textile company, was finally went bankrupt in November 2008, which became a red alert to Shaoxing people.

The final meaning of this study is to through the specific cases in Bola Textile Company to find out the main reasons and propose series solutions to help the trapped company going through this tough time. By using email, questionnaire and telephone because of long distance, after a serious research work and analyzing or compile the results, I finally make out the important development strategies for helping Bola company get out of the bad situation. Some of the strategies are being used into the real company operations.

The goal of this study is to overview the general existing problems of the whole textile industry, and then put forwards solutions to help Bola company get out of bad situation in the 2008 economic crisis and successfully chase after the latter economic recovery phase. As such, those solutions should be effectively and directly suitable for solving the problem whether in producing or management in Bola Company. By such goals, I take qualitative research to get multiple answers from investigation.

1.3 Research method

1.3.1 Qualitative research

The study uses qualitative research to carry out the research work. Qualitative research is mainly dealing with the collecting and analyzing the information, which do not need the large-scale and representative set of data like quantitative research. Qualitative research more focuses on exploring and digging depth. Moreover, the argument bringing from qualitative research can be strong the case. The table 1 shows the main characters of qualitative research. (see table 1.) (Blaxter, Hughes, Tight, 2006, 71-72.)

According to the table 1, qualitative research is more followed by my thoughts, which can be deep for a topic. I can select the certain subject to dig in with open-ended questions. With the stronger argue around the case, it can get more “insider” perspective for case. However, the features of qualitative research contains: grounded discovery oriented, exploratory, expansionist descriptive and inductive. Moreover, real, rich, and deep data can provide the more specific information than quantitative research and the reality is presented more dynamic. So, the qualitative research is more suitable for this case. (Blaxter et al 2006, 65.)

Table 1 Main characters of qualitative research (Blaxter et al 2006, 65.)

Qualitative research paradigms
Concerned with understanding behavior from actor’s own frames of reference
Naturalistic and uncontrolled observation
Subjective
Close to the data: the “insider” perspective
Grounded discovery oriented, exploratory, expansionist, descriptive, inductive
Valid: real, rich, deep data
Assumes a dynamic reality

Thus, it is helpful and accurate to gather a deep understanding of Bola's situation. Before the work, I collect and read some useful reference and information to have a general picture about this issue. In the research work, it includes Vice General Manager, Trade Manager, Director and normal staff in total 6 persons. By sending email and telephone to the targeted person and then compiling the answers, I get the important replies in time. However, some misunderstandings happens in the contacting, but it can be worked out finally.

1.3.2 Case study

I take case study as the research approach because it is suited to the needs and resources of the small-scale researcher and this might be researcher's company and any other individual places. Case study concentrates on special case, researcher mainly observes the features of a sole unit. The meaning of such observation is to dig more deeply and then to effectively analyze the phenomena. (Blaxter et al 2006, 71-72.) The study is through three main chapters to help Bola Textile Company walks out of bad situation. (See figure 1) Chapter 2 takes the theoretical framework which introduces the related theories. In Chapter 3, overview of Shaoxing textile industry is to give readers' a background of what situation of Bola Textile Company is in. After then, the fourth Chapter lists of eight solutions to help Bola Textile Company working through the tough time.

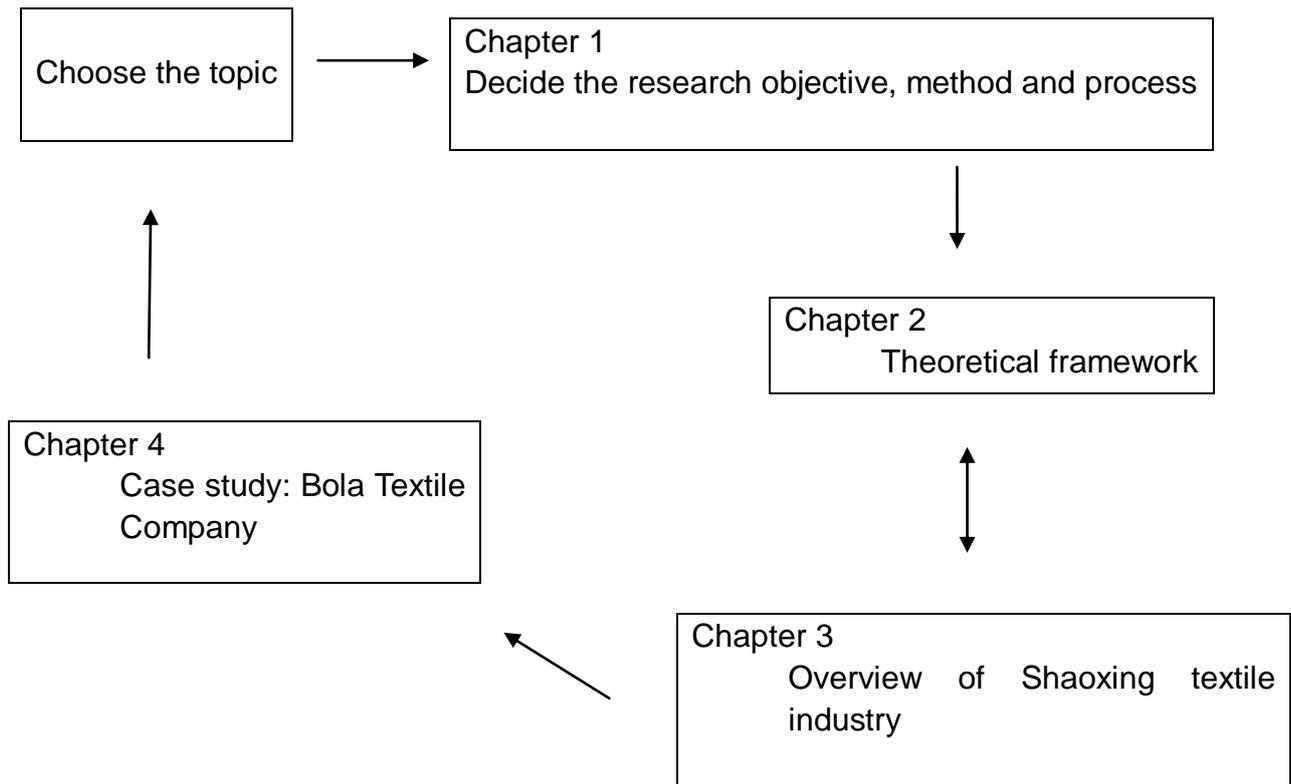


Figure 1 Study progress

From the above figure, firstly, I would think about the most textile company living standard on this bad situation, and then find out the information and reference to learn more about the industry to make sure having enough background. After choosing the theoretical framework, it is better to carry out the case study. However, at the end of work, it is necessary to assess the study.

1.4 Research process

In 2008, a huge worldwide economic crisis waved the whole world. Plenty of Companies close up during that time. However, Shaoxing, as hometown of mine, is famous for its textile industry which now is also facing the severe

damage. As many friends and relatives are working in textile and garment industry, I decide to make a study in the textile industry, not only for the targeted company Bola Textile Company, but also for the future of my career. The flow below is the process of this research. (see figure 2)

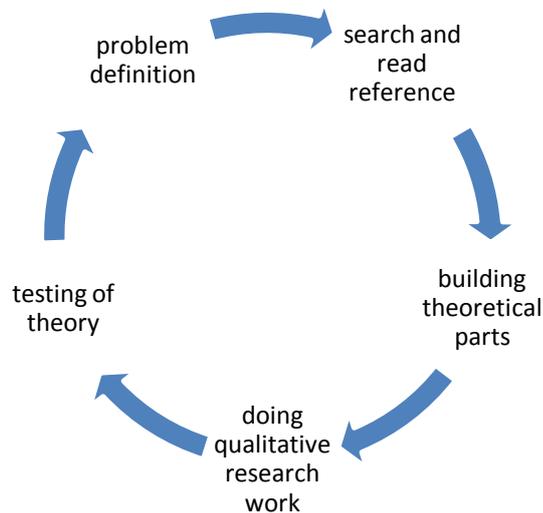


Figure 2 Research process (Blaxter et al 2006, 8-9.)

According to figure 2, the first step of research process is to definite the problem, making sure the topic, then doing some search and reading the related materials or reference to build the theoretical parts. Finding and solving the problems works out during the qualitative research work and then test of effectiveness of its theory. During the application, after search and read some sources, it is important for writing a customized study for most middle or small sized textile company just like Bola Textile Company to help them going through the tough time. It is realized that management, innovation and development strategy are quite important for the company. Based on the essence of qualitative research, I make a questionnaire with five essential open-ended questions to six people who are working for Bola Textile Company. And I also make phone calls for getting the further information. The questionnaire is focused on the getting information of influence by financial crisis and the suggestions from every department. The questionnaire sent out by internet instant message tools to the Vice General Manager Jin in 1st

February, and then he was responsible for copy and hand out the questionnaire to any other 5 persons, and finally received all of answers in the end of February. It takes about a month because there is a Chinese New Year vacation during that time. In about first week in March, I compiled and screened all the written answers and the notes from telephone, catalogued by main 4 parts of problems and then using theories to work out the customized strategies for Bola Textile Company.

2 THEORETICAL FRAMEWORK

2.1 Theoretical framework review

For practical part, several theories can be used into it based on the following theories or definitions. Battering employee and correct leadership is important for a company in such dismal time. The management level should come up with an effective motivation to the staff. So that human resource motivation theory is helpful to draft the reward system. However, by analyzing such difficult situation of economic depression, to understand what the economic cycle is can help you to estimate the good timing and future chance for company. Another important theory is development strategy which is determined the direction of a company.

2.2 Economic issues

It is important that what decisions made in what time, place or under any other factors. PEST analysis stands for political, economic, social, and technological analysis respectively, which can help us to audit of a company's decision-making in the big picture. By using PEST analysis can help company to analyze the different situations systematically. As economic analysis be taken our main tool, which includes interest rates, exchange rates and economic growth are the main factors. (Duff 2007.) In this chapter, choosing economic analysis as our main tool to draw a draft of economic environment is enough.

2.2.1 Economic cycle

Most people believe there is an obvious relationship between economic cycle and financial crisis. Economic cycle equals the business cycle or business circulation. It means an alternate phenomenon cycle of economic expansion

and economic contraction which occurred periodically during the economy function. It is the fluctuation of the gross national output, the total income and total employment.

So far as the cause of formation of economy cycle, exterior theory cause suggests the business cycle is derived from factors beyond the economic system, such as macula, war, revolution, election and gold mine. Otherwise these factors may originate from findings of new resources, breakthrough in science, innovation technology and so on. Theory of the internal origin tells that the economic cycle originates from the internal of economics system – income, cost, investment and other elements that are impacted by the market mechanism constitute the essential phenomenon (economics cycle.) (Gali 1999.)

The economists divided the economic cycle into four stages: prosperity, recession, depression and recovery. In the world economic history, we can found the economic cycle as below:

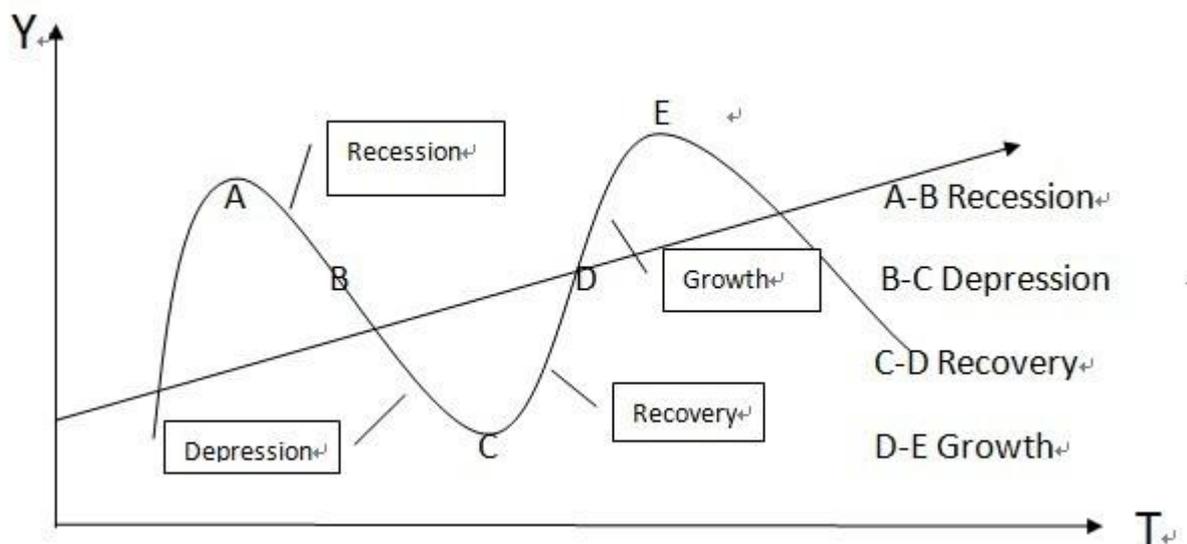


Figure 3 Business Cycle (Bai 2008.)

The figure 3 shows four processes are involved in Business Cycle, including economic boom, recession, depression and recovery. A-B is the stage of recession. B-C is the stage of depression. C-D is the stage of recovery, and D-E is the stage of prosperity. (Gao 2000.)

2.2.2 Introduction of global financial crisis

This heavy financial crisis happened in the 2008 because of the USA mortgage crisis. Many financial agencies are bankrupted and along with the rising of price of raw materials. America, European Union and Japan where are the main financial markets was showing the bad situation. The real estate industry in America was attacked. However, the main reason is from the uncontrollable loan market. (Saxton 2008.)

Subprime crisis is happened between real estate and financial agency in USA. In 2008, with the high- rising interest of loan, some customers cannot pay for the loan, so many breach of contract happened. Lending institutions cannot take back the loan because of the high secondary mortgage loan is very high.

However, the price of American house was going down during from the spring of 2006, buyers could not get the enough money to pay loan, even they sold the house, they still could not make up the losses. Once more, there are numerous of secondary mortgage loan in the financial investment markets, which also there are many people bought this kind of investment. With the lending institutions became bankrupt, they have to shut down. So the wave immediately influenced the stock market all over the world. (Foldvary 2010.)

Mortgage crisis brought serious bad effect. From the American Conservative, the US government has already pay for the “black hole” more than 90 billion U.S. dollars. (Yang 2008.) However, this situation triggers the 2008 economic

crisis. Without doubt, the volume of textile or garment goods of Shaoxing decline dramatically.

2.2.3 Chinese economic situation

In 2008, China was been in a bad economic situation, by the influence of economical crisis, the 2008 Gross Domestic Product growth volume is 4.4 trillion US dollar and the rate is 9%, which is the lowest rate since 2000. However, the National Bureau of Statistics of China reported that China contributed more than 20 percent to the global economical growth in 2008. CPI growth rate is the highest number in the 12 years. However, the severe damage was happening during the fourth-quarter, the growth rate of fourth-quarter is only 6.8%. One main reason is that the ever-weakening US dollar, since 1999, America was became the biggest destination country. As China is a main export country, due to de-price of exchange rate between US and China currency, so that caused the higher cost of export goods. Last but not least, Chinese real- estate bubble burst in 2008, which also caused the bad economical situation. (Dong 2009.)

However, after 2008, China's economy does not collapse. Chinese government launches a forty trillion RMB (about 0.7 trillion US dollar) investment program to stimulate the economy. In January 2010, the National Bureau of Statistics reported that during the 2009, the GDP growth rate was at 8.7%, which soon turns around of downward economy in 2008, showing a 'V' shape economic trend in 2009. The total GDP volume is reached at 4.7 trillion US dollar. The Chinese government believes that it soon can be the third member to surpass the 5 trillion of GDP. (NBS 2010.)

2.2.4 Background of Chinese textile industry

Since 2000, Chinese textile industry has enjoyed high speed development, but because of the state's macroeconomic policy adjustments and economical crisis, the whole industry has trapped in a bad environment. However, textile and garments industry makes up about 13 percent of China's total exports. Since the beginning of 2008, the every-up going price of all kinds of raw materials, water and electricity fee, rent and so on has brought quite big burden for textile companies. From January to May 2008, the profits rate of general textile industry was 3.54%, lower than 3.93 in 2007, and the new investment to textile industry was increased by 16.82% which was less than 3.94% compare to the last year. The whole textile industry business income is about 34 billion euro during the first 5 months of year 2008. The business income growth rate was dropped by 7.55 percent. So, the momentum of whole textile industry was slow down as well as the innovation. (Xu 2008.)

In the year 2009, under the governmental policy “expend domestic needs”, Chinese textile industry moved steadily upward. The whole domestic sales is about 0.42 trillion US dollar, which increased 8 percent. However, the export of textile goods volume is still in low level because of the shrank global market needs. The textile and garment export value in 2009 is 17 billion US dollar which comparing with last year dropped by 8 percent. To sum up, in 2009, it is still a tough time to the whole textile industry. (China Textile News 2010.)

2.3 Labor cost

In most of successful companies, there must be a series effective ways of management. A good enterprise management policy must be developed according to enterprise's objectives and missions. However, in such dismal time, a new and stimulant policy is much needed. The employer should always fuel the employee full tank.

2.3.1 Human resource motivation

Based on the human resource management theory, there are two levels for staff entering to the enterprise. Payment is not only one of your pursuing, but also the assessment of their contribution to the company and the value of herself or himself. That is what people are looking for in the organization. (Ingmar 1999.)

A company should know that employees are not only want they can be paid fully, but also can show their ability to the job. Because that they hope they can receive the self-value and self-fulfillment from receiving the recognition of company or the community. So, the incentive policy is important for the enterprise. There are two kinds of different incentive policies in the modern enterprise management, which are all aimed at fully playing the advantages of employees at all. (Li 2009.)

In spiritual incentives, company could arrange the outstanding employees to participate in all kinds of study club courses to improve them. On the one hand, it is their right to use club for learning further knowledge, which is good for working. On the other hand, employees have the priority to join the any kinds of training and learning group. These are all helping staff to build and rebuild the self confidence to confront them. (Boisot, Child 1999.)

In material incentives way, a good leisure time or holiday at least once every quarter to ease the stress of staff is an effective way. Participating in the all kinds of social activities held by the company can help employee get the high level of self- actualization and find the problem of deficiencies. So, a true, fair and reliable working environment can be a basis for a company in human resources management. (Boisot, Child 1999.)

These two ways can be to improve the human resource management effectively. Through the spiritual and material incentives, workers can come out more passion for their work. Nowadays, many entrepreneurs just focus on the statistics of company output, but forget the ways in human resources. Human resources is a invisible value for the future output, so, taking good care of the employees is a effective future and further company policy.

2.3.2 Leadership management

Leadership and management are rather easier and simpler when times are in the good conditions, but if the time goes to be bad, the leadership and management are becoming hard to control. Since the 2008 economic crisis, many of managers or executives who have never seen such a downturn, accompanied by the business failures, shut up the companies and layoffs.

What do people need most during those tough times. Firstly, they still need to be able to find meaning in their work and also feel it is important. So that the efforts of the employees did let them feel very valuable for his or her company, which makes all people thinking of the company needs them in this bad time. This is the main reason why they should stand for company. Next, they need manager's or the executive's honest assessment about the real conditions of the company, the market, and the possible bad impacts on their jobs. During the crisis, it is important to minimize the every rumors or unreal information to the company. However, it will destroy the confidence of the employee and distraction of people' loyalty. And finally, they need the reassurance of seeing you, the leader, remaining calm and centered and focused in the middle of the crisis. The manager or the executive always be a sample for those employees who work for you. So, it is better for you to give them your assurance and confidence of helping company going through this tough time. (Autry 2004, 37-40.)

2.4 How companies surviving from depression

It is time to win the aggressive marketing while other opponents cut down their finance. Entrepreneurs invest more capital to change or update long term assets for their enterprises, such as all kinds of machinery, office tools and other raw materials or capital goods. Sometimes, merging some other company can be thought about because the relative low price might be reasonable for take in. (Matt 2009.)

There is another important thing for a company living in the depression is that to cut down the cost. During the tough days, the company needs a much stricter budget schedule which is to exactly analyze the data, predict the final results and compare those with the reference baselines. And also in the depression time, it is a good timing for corporations to modify industrial structures because of the low cost of all the devices or machines. It means companies can obsolete the unprofitable and old-time equipment or facility, instead of buying and launching the new and fashion equipment. These could make profits at once when the economic environment becomes better latter.

Nowadays, China has walk through a long time economic boom in the past time. However, this 2008 economic crisis may stand for the global economy beginning to go into recession or even depression.

Under the situation of market economy, there are many entrepreneurs are more focused on the economic situation, which is the economical climate. Not only is the company influenced by internal conditions but also the external economical environment and market environment. We know that a company cannot change or determine its external environment, but, it can adapt and blend into the external environment by improving itself. Therefore, a successful entrepreneur should learn how to grasp the economic cycle fluctuations and

make a further plan according to the fluctuation, which can maintain the vitality of company in the any kinds of economical fluctuations. (Wu 2009.)

2.5 Development strategy

Strategy of the company is related to a company how to grow and develop, which is of a key condition to help companies becoming much more prosperous. A good development strategy determines the company's main guidance, development measures, performance and the standard of corporate development direction. Development strategy also includes the company's objectives, investment policies, marketing concepts and arrangements of staff. As a rule, a company's development strategy can be clearly demonstrated the company's future development and ways to achieve strategic objectives. (Jin, Zhu 2008.)

Competitive strategy can be a system, which established a wonderful and considered strategy for a general future developing direction of one corporate. Drafting a competitive strategy is to building a sound plan to our rivals and his activities. Thus a successful competitive strategy is the core of whole company's plan, which also can be a key point for running the company. To create a powerful competitive strategy, the company must control the strict products or services quality, maintaining the reasonable price level, keeping enlarge the advantages and minimize the disadvantages. Moreover, it is also very helpful through to lower the cost, diversify the range of product or any other service, putting the key problem in the front and the accurate grasp of marketing trend. All of these ways can increase the use of company's competitive strategy. However, when facing the general situation and future trend of economic integration in those days, the former successful strategic advantage of an enterprise will be fell down of its job if the enterprise wants to take a win in the competition with rivals from home and abroad. It should be taken into consideration of strategic logical relation which is mainly based on

competitive strategy company, customer and rival. Thus it can make new strategic advantage which is stronger than rival's and is unique and longer lasting in the ever marketing campaign. The key point of the new strategic advantage is mainly depending on whether the needs of company and customer can sustain the energetic and further coordination. Considering all the mentioned, the company can think about idea conception to come up with strategic advantages in the following aspects:

Firstly, it should shift from meeting customer's need to offering values to them based on management theory of enterprise. For enterprise, customer loyalty is the most important wealth. Therefore, offering values to customer is the core of enterprise management, which is quite vital in modern enterprise management theory. Nowadays, simply meeting customer's need and providing best service to them is not enough. Enterprise need to consider how to match its advantage and fixed target with customer needs and wants, which can be showed in a way of offering excellent values to them. It's the keystone of creating strategic advantage. (Masahisa 2001.)

Secondly, an advantageous strategic of enterprise should be embedded on the basis of competitive advantages. Referring to resources competition theory, enterprise is supposed to attract more customers instead of its rivals while making good use of its resource, which can be considered to the most significant strategic factor. However, in new race condition, company's further competitive advantage rests on the sharing of competitive resources rather than maintaining a positive relationship with its share of resources. Competitive resources are vital determinations of the new victory. (Masahisa 2001.)

Thirdly, letting our customer know strategic advantage of enterprise is in order to catch their attention and keep in them. However, enterprises should not only promote their competitive strategies advantages in a very objective way, but also pay more effects to the intentions and characteristics of media, which is

aimed at letting the customer feel the benefits and having receive of attention. Stepping into information era, with the speedy increasing use of Internet, attention is currency unit and holding customers' attention is the key point to build strategic advantage of companies. (Masahisa 2001.)

Forth, continue to enhance resources and maintaining strategic advantage. Increasing resources means that doing better in what it has done and heightening quality of resources continuously. So the enterprise should keep investment continuously and also updating competitive resources. Moreover, it should carry out effective strategy to play the full use of competitive resources in order to maintain strategic advantage. This is the key essence of creating strategic advantage. (Masahisa 2001.)

Four points of the strategy can tell people that how important is making a good and long-term running strategy. Today, some companies still do not have any official strategy for future development. And lots of companies are just relied on the profits-making points of the previous time. It is nothing happened when you are at the smooth time, but, you will be at the passive position when the economical time changes, because of your lack response. So, making a effective development strategy is a important thing.

3 OVERVIEW OF SHAOXING TEXTILE INDUSTRY

3.1 The background of Shaoxing textile industry

Shaoxing, a south-east city in China, depends on the international trade and foreign investments for its economic development. Since early 1980, the textile and garment industry has begun to develop and large number of textile companies has built and grew very fast. Shaoxing textile industry has its own unique advantage that is the whole and entire industry line including raw material, textile machinery, printing and dyeing, apparel or costume and other related area. The annual production of fabric goods (3.5 billion meter) takes 1/6 of China, dyed fabric (7 billion meter) takes 32%, ties and socks which are occupied by 80% and 65% respectively. By the year of 2007, the textile sales revenue is reaching 25 billion euro. (Liang 2007.)

However, in October 10th, 1988, under the leading of Shaoxing government, Keqiao textile market was opened where located in the rural area of Shaoxing. Through many years extension of market, it is now the largest textile and garment gathering market in Asia.

3.2 Economic crisis impacts to Shaoxing textile industry

The international financial crisis which has severely affected the entire economy has been spread worldwide till the end of 2008. As a result of the contraction in external demand, the textiles exports of our city have also been severely affected.

Due to the recession and the consequent effects, the financial crisis has brought reversion trend to the Shaoxing textile since the third quarter of 2008. From January 2008 to July 2008, the total export amount has increased 30.3%, but in August, the export amount is decreased. In the last five months of 2008,

the export growth rate is only 8.3%, it is not very common. In the first three quarter of this year, the export amount is 77.2 billion U.S dollars which decrease 9.1%. Thus, the city's total export amount will be decreased. (Keqiao textile index 2009.)

3.2.1 Shrunked market demand

Because of the international financial crisis and the insufficient textile orders from the foreign countries, the trade volume in the professional market of China Textile City fluctuated in a very narrow range. The price indices of raw materials, apparel fabrics and home textile all went down, and this made the general category price index go down.

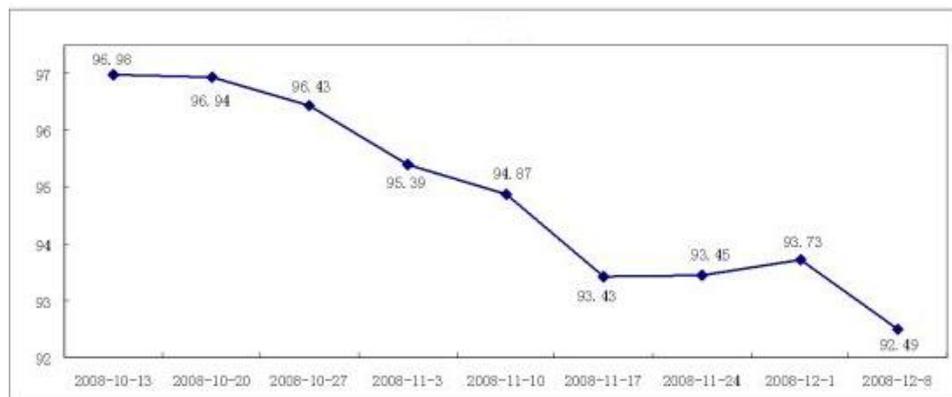


Figure 4 Trend of Shaoxing textile price (Keqiao Textile Index.)

According to the trade price index (See figure 4), it shows that the index closed at 92.49 points which went down 1.32%, when compare with the previous index, it has been decreased dramatically.

3.2.2 The new competitive countries

China has gradually lost the low labor cost advantage; large amounts of orders have been gone to the new India; Vietnam and other emerging Southeast Asia countries. Because there are finer raw materials with low cost, many American

importers left the Chinese market; instead they are willing to place orders to those emerging countries. While from January 11, 2007, America canceled the quotas on Vietnamese textiles, thus the Vietnam's textile export amount to America has been the first place in the world. Due to the above changes, there are huge benefits losses which Shaoxing textile industry was suffered. (Jiang 2008.)

3.2.3 Labor and maintenance cost

Due to the international financial crisis, many medium or small textile or clothing export enterprises have went into rough times. The textile industry have been severely affected, especially the manufacturing industry, for it is a labor intensive industry, it provide many employment opportunities. But because of this international financial crisis, the companies lost their orders, some of them even stop the production, and finally they dismissed the employees.

3.2.4 Plenty of anti-dumping investigations

China has suffered many anti-dumping investigations after joining the WTO. During the year 2008, China has been investigated 73 times by WTO numbers, taking 35% of total anti-dumping investigation over the world, which is the greatest number of anti-dumping actions over the world. Under this situation, China has faced great financial loss. However, China textile industry is one of our important export industries, and obviously becomes a serious related industry suffered from anti-dumping investigations. Shaoxing, as a main textile or clothing manufacturing place, has heavy reliance on international trade. The lack of technology innovation, product innovation and marketing skills are all determined to be situated in the bottom of global supply chains, which can be easily brought about anti-dumping investigations. (U.S Trade Representative 2008.)

4 CASE STUDY: BOLA TEXTILE COMPANY

4.1 Background of Bola Textile Company

Bola Textile Company is located in the Keqiao, Shaoxing, China, established in 1995, which is mainly dealing with garment or clothing, cotton fabrics and other textile goods. The sales revenue of Bola of 2007 is about 11 million euro which completed 3.2 million of tax and more than 700 staffs working for Bola Textile Company.

Though it grew fast from 2000 to the beginning of 2008, the whole situation became bad after 2008 because of economic crisis. Like almost other textile companies, Bola facing narrow-profit orders, insufficient orders and some derived interior problems.

4.2 Data collection and analysis

After received the all questionnaires and made some phone calls to the Vice General Manager Jin, I listed below (see table 2) the situation mentioned by respondents.

From the below table, the main gathering points are management and development. However, the financial crisis do influences the incoming of staff. However, these problems need the theoretical parts supporting which are all listed in the Chapter 2. The section 2.2 can be a general information of the total background, which shows how bad situation during that time of running a company. The Vice Manager pointed the innovation of products or even management, the section 2.4 and 2.5 can be a good reference for me to design a customized plan. As other people mentioned that the problems of moral, incentives systems and some management ways, the theoretical section 2.3: Labor management in difficult time can be a good resource. So, based on

these answers and the theories, the works out the useful strategies for Bola Textile Company in the next chapters: Strategies for Bola Textile Company

Table 2 Problems in Bola Textile Company

Problems in Bola Textile Company	
Influences to salary	Total six person have taken less amount of year-end bonus
Influences to three departments	Sales Department: Increasing pressure in getting orders from abroad and also profits getting narrow
	Vice General Manager: 1, Problems of laid off. 2, Obsolete and old machinery, which means need more new devices. 3, Innovation of new products. 4, Future development
	Producing Department: 1, Short orders for running the machinery. 2, Dispirited work environment. 3, High running fee.
Main problems of Bola Textile Company existing	Less competitiveness in the price.
	Less amount of domestic market share.
	Some leading problems
Suggestions for overcome the financial	Extend some department for highlight the functions.
	Move base to mid-west part of China (brave thinking)

crisis	<p>Incentive system</p> <p>Catching up the trend and focus on the innovation</p>
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4.3 Strategies for Bola Textile Company

4.3.1 Exploring domestic market

So far as now, the Sales Manager reported (personal communication, 20 March 2010) that the company mainly focuses on the business to abroad, taking up about 90% of total sales(See figure 5), which is because before economic crisis, the orders from abroad are normally higher 2-3 percentages than domestic orders. However, time is changed, by the ever narrowing of international business profits during 2008, it seems that domestic market becoming a new profitable market, but, it still has its challenges.

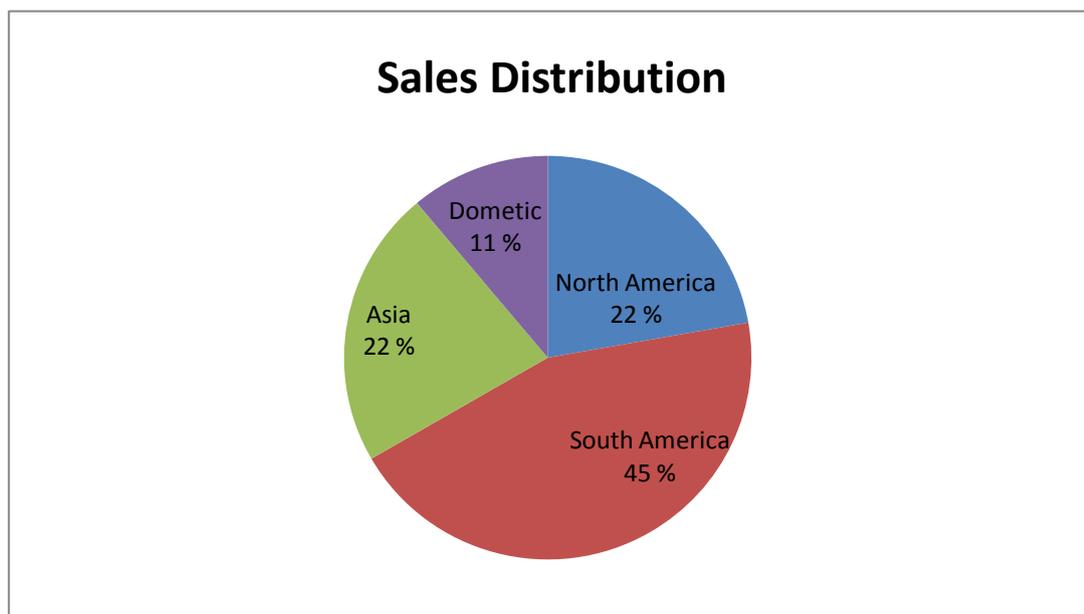


Figure 5 Sales distribution of Bola Textile Company

From the above figure, it shows that the biggest part is South America, then is Asia and North America, which these three parts take most the share of sales. Only 11 percent for domestic market, which is a lowest market and means there are new breaking points for Bola to explore.

Ensure the company's stability as well as growth, Bola should employ domestic demand stimulation as a comprehensive and systematic treatment. After emailing with Bola's owner, we agreed that Bola should expand their domestic market as soon as possible, although there are all kinds of challenges. Firstly, extend the domestic sales department, hiring an experienced department manager and some sales. Also we will assign one of experienced production producer as a consultant for helping domestic sales department, which is together to analyze the production and consumption better. Secondly, Bola will attend more textile exhibitions like Canton Fair. Without doubt it is effective way to meeting the new domestic buyers. Thirdly, if the finance allowed, Bola could set a pavilion in Keqiao Textile Market located in the Shaoxing, which is the biggest textile trading market in the Asia.

4.3.2 Adjusting and developing industrial structure

According to the statistics (Shaoxing Government 2008.), in China, the total amount of the people who work in the textile industry is about 0.64 million in the current time and 75% of that is transferred from the countryside. There are two advantageous elements for industry upgrading in textile industry. The one is huge market: the domestic demand for our textile industry keeps increasing and the scale keeps expanding; the other is the sizable share in the international market; we has taken one fourth of the exporting market in the world and it keeps the reasonable increasing speed. To complete the mission of adjusting industrial structure and developing industrial upgrading, the opportunity and challenge exist at the same time. Bola has to face a series of

difficulties which will increase company costs. As well, it has to deal with a more fierce competition in the worldwide scale.

The brand-new challenge for Bola Textile Company is to improve productivity at the innovation level, which if it succeeds, can bring the high profits. Therefore, carrying out new original brand strategy is very useful for Bola. The General Manager of Bola realized that to building its own famous brand can make company always in a good position and further benefits. Meanwhile building a nice image of company is alone with our products image.

Another adjusting industrial structure is just come to mind, but still need time to be considered, which is moving the manufacturers to the mid-west parts of China. The purpose is to save the high plants rent fee and the labor costs. Because the consumption and income per capita in the Mid-west China is relatively lower than the South of China.

4.3.3 Controlling the cost

There is an effective and direct way to make more profits for a company, which is to strictly control the cost. Companies can take several ways like using fewer raw materials to manufacture more goods and using less energy to achieve the higher profits, which are all the beneficial methods to the company. However, the way of safety production planning is also the key factor for life-long business.

With regards to saving any kind of power, Bola can set up some frequent control technologies to monitor the devices like pumps, working temperature and fans as well as promote new and mature technology; launching frequent control appliance is practical to maintain the equipment always operating in a good condition

Referring to steam saving (one procedure of dyeing), it should control the amount of the steam, avoid high flow rate (excess fixed flow rate) and small flow rate (i.e. flow rate lower than 1/3), because if the steam flow rate is less than 1/3 of the fixed rate, it is calculated by 1/3; if it exceeds the fixed rate, then it is calculated by two times (the price bureau approves the fixed rate). Because the steam is transported from thermoelectric plant, which also means it is more environmental than made steam by us.

The specific temperature must be kept in workshops and keep an eye on monitoring, check out and fix the steam valve leakage in time and maintain the insulation layer of the steam pipes. Strengthen the communication with Measurement Inspection Institutions and make sure of the accurate and safe amount of steam consumption.

In addition, it is to achieve the effect as decreasing material consumption and reinforce equipment management and it is important to keep good condition. First of all is to make sure the fixed amount of the equipment maintenance depletion. Assure the normal operation of the blowing-carding automatic stop device and sharpen and change the device with quality products; arrange the device reasonably according to the variety of the classes. For the equipment set, it is to replace the imported parts with domestic ones.

4.3.4 R&D of “green textile products”

In order to respond to the suggestion as “our mutual future” by United Nations Environment and Development Committee and build “green projects” together around the world and green textile products are one of them. Later on, throughout the world, the issue focused on environment protection has gradually found the root in people’s hearts. In June, 1992, United Nations Environment and Development Committee passed "Rio Declaration on Environment and Development", "21 Agenda"; with the proposal of “green

projects”, “green industry”, “green cities”, “green food”, “green textile products” “green packing” “green transportation ” have sprinted up after the one. A trend of promoting green has come suddenly. (UNEP 1992.)

Under the wave of green products, people are like to pay more attention and money for their goods that if it is environmentally. Some textile products containing poisons inside, several European countries have already prohibited this kind of products, while Chinese government realized this issue latter then, and make it up urgently. With the promoting of “one world, one mother” policy, nowadays, manufacturers and citizens are more likely to produce or buy the green goods even it means a high price and cost. So, the green trend will be the leading position in the future market.

Bola Textile Company should change the old technology of manufacturing into the way of more environmentally, chasing after the new innovation of textile industry for developing the green products. However, if the budget permits, I would prefer the main leaders and technologists should go abroad to watch and learn the new technology. Furthermore, Bola Textile Company keeps the good relationship with College of Textile in Donghua University, located in Shanghai. This is important and timely for the company to get the new information about textile. It is of great significance for a company to establish the relationship with related education institutes.

The promotion and application of the green textile products in our country is not so popular in recent textile industry. It can be a breakthrough of new profits for Bola as long as we have already mastered the green technology.

4.3.5 Battering employee reward systems

Some owners of companies think that the profit of company is the sigh of how successful his or her company is. However, this wrong thought either cannot

be taken in the good situation or bad time. It is obvious that the staff factor takes a mainstay of one enterprise. During the research work, I have not found any information on reward system in Bola Textile Company, which might mean the lack of enthusiasm.

After talking to the main leader, Bola Textile Company realized the problems and eagerly to build a systemic and suitable reward system. First, Bola will make out a series principle of incentives in different department. Each department has its own reward systems, these all principles are all help company to get more profits and effectiveness. Every season, month, or task should have a reward instruction before it starts, which can boost the moral. However, during the work, the management layer should carry out more meetings, questionnaires and informal discussions to test the effectiveness of reward systems.

4.3.6 Building the B2B business platform

In this method, company can be able to reduce the links in deals, cut the business cost and raise the possibility of catching the order. Since Alibaba is becoming more and more matured, which is a typical pioneer of domestic B2B E commerce platform, more foreign countries' buyers will pay an eye for this platform and will become depended on it to conduct the deal.

In this way, companies will be less reliant on the links in deals, cutting the capital cost and raising the chances of catching the order. Because of the daily-maturing Alibaba, which is considered as the pioneer in domestic B2B E commerce platform, more foreign purchasers will be focus on the platform and make the deal depending on it.

Bola can expand their market share in these newly born dealing channels. Bola should consult with the famous B2B website Alibaba, and be willing to

establish an Internet exhibition window on the Internet. Because of this, Bola is also need to train one of sales to be a professional Internet sale, who will take charge of all the business from Internet.

4.3.7 Establishment of branding

Generally speaking, the whole Shaoxing textile industry relies on the advantages of raw materials and manufacturing but not on the business model. Chinese enterprises should put more efforts on the product innovation and competitive strength. At the market economy, a brand means the market share to a company. We must have a vast of our own Chinese brand as we are taking part in the global market segmentation and competition. The higher brand reputation is, the more market share we have. Moreover, it is active that holding our own brands while without brand is passive for our economics. The foreign trader can transfer the producing place to other cheaper countries because of his autonomy. So, only we have the brand that we can grasp the international division and changed this passive situation.

Bola currently mainly focus on the processing of materials by the foreign businessmen, only has little volume of production for its own brand, so, building own brand can be the next development strategy. Firstly, through many years of manufacturing, Bola should make exact product concept and market positioning of its products, I think Bola has enough technology to build a own brand. Secondly, design a detailed marketing plan and objectives of every stage of launching the brand program. In this stage, because Bola has long time for processing, it is important to highlight its fine quality of manufacturing. Then, Bola can do the market test for ever adjusting its products to make sure has a good responds. However, with already built the brand, the continuous task is to defend the brand, maintain and support the integrity of brand.

4.3.8 Policies supported by Chinese government

China's Government implied decisively the proactive fiscal policy in Beijing is reported in 13th November, which could not only promote China to enter a new economic growth step, but also pointed the Asian financial crisis. China implied an appropriate monetary policy and resubmitted an active fiscal policy to make an investment plan of 4 trillion RMB at the same time when facing the international financial crisis met for a hundred year in ten years. (Xinhua Website 2009.)

When talk about the financing policies, the Chinese government has provide supports to the export-oriented company. Different types of financial institutions also support the export-oriented private enterprises. If the financial institutions carried out the analysis and believed that they can control the risks, so they should stand on the foot of Bola. For example, they can improve the loans business of export rebate account guarantee for export oriented private enterprises. In another aspect, the financial institutions can broaden their business products. For example, they can assist Bola in negotiation, discount, and provide a good development condition for Bola.

As for those companies who met temporary problems in their business, the bank can create some conditions positively, for example, the bank can own the ownership of the goods, bill of lading, or orders. But the banks should supervise their borrowers periodically. Thus, they can not only support the development of the export-oriented private companies, but also they can control the risks. At the same time, the banks can support the export-oriented private companies in other aspects, such as honoring drafts, shipping guarantee, bills of exchange, loans letter of intent, and credit certificate and so on.

5 CONCLUSION

This study is based on the 2008 world economic crisis, which caused the total shrank social demand, extensive production duplication and a series of derived problems. The development of Chinese economics is going down. Especially influences economically for some places where are heavily relied on the export.

The Shaoxing local textile industry also faced the huge strike from economic recession in 2008. However, Bola Textile Company faces the overseas trading market business which is hard to make profits and the slow development. Compared with the past years, the situation of Bola Textile Company is totally in the bad steps since July 2008. Problems of development, marketing, management and human resource are came out severe in 2008. However, this is a disaster but also an opportunity, with the economic recovery trend latter, if Bola can prepared wonderfully, it must be gain more profits during the recovery. So, this study is focused on the finding the way of how to improve Bola Textile Company in good position for facing the tough time.

From a macro point of view, China has been influenced a lot by the economic downturn, and the effective policy for rescuing some industry is very necessary. However, from the microscopic point of view, Bola Textile Company should have a good reflection after this disaster, what the important things are to immediately develop the company avoiding the shut down.

By cooperation between me and some Bola leaders, this study is a good material for development of company and some of the strategies will be taken into the reality soon. Meanwhile I also hoped that this study cannot only help the Bola Textile Company but also the whole entire industry.

However, I found it is hard to make deep analysis in the preparation process of primary research, because there are no sufficient information and the long distance between respondents, I sent questionnaire by email or make phone calls in Finland to gather information. This is very hard and difficult to overcome. In addition, I have not well mastered the skills of knowledge research. And the last problem is due to the limited knowledge scale of the writer and limited the research period.

6 ASSESSMENT OF THESIS

The study is through two months' hard working. I surrounded the topic did number of research works. The thesis focus on the Shaoxing textile industry and through one typically targeted company as the base to explore the situation, problems and finally made out a series development strategies. However, I have collected the information directly from the targeted company, which has the high reliability and timeliness. But, because of the long distance and the time difference, it is hard to get information very soon from the company, and may still exist some perfunctory responding. I have tried to eliminate the useless and remain the elite, together with my knowledge and helps from supervisor, finally finished the thesis before the deadline.

This aim of thesis is to help the trapped textile company to find the way out of trouble for them. To be honest, because of my limited knowledge and little experience, the study just suits for some medium-sized textile companies, and this is being limited to help the whole textile industry. In general, I come up with the final customized strategies to the company and some of them are also accepted by the company, it would be the happiest thing for me to write this thesis.

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APPENDICES

Appendix 1 Questionnaire to Bola's main leaders (in English)

Questionnaire to Bola's main leaders

Part one: Basic information:

Age: ____

Sex: ____

Position in the company: ____

Years of working: ____

Part Two: Attitude towards to the influences brought by the financial crisis on Bola

1. How about your salary influenced brought by the financial crisis?

2. How about the influenced brought by the financial crisis on your department.

3. What do you think the main problems that Bola has? And how they came from?

4. What are your suggestions for company to overcome the influence brought by the financial crisis?

5. Any other suggestions?

Thank you for your time.

Signature

Date

Appendix 2 Questionnaire to Bola's main leaders (in Chinese)

调查问卷表

基本信息:

年龄: ____

性别: ____

职务: ____

工作时间: ____

态度和建议对于这次金融风暴对本公司的影响

1 金融风暴对于您的工资收入的影响?

2 金融风暴对于您所在部门的影响?

3 您认为博拉公司所存在什么问题? 为何产生的?

4 您的宝贵建议对于公司克服此次金融风暴带来的困难。

5 其他建议?

感谢您的支持!

署名

日期