

The Construction of Internal Marketization Management Path -- Based on the Case Study of QIANJIN GROUP

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ABSTRACT

This paper makes a case study on the internal marketization management of QIANJIN GROUP. Following the basic principles of case analysis, it summarizes the construction method of its internal marketization management path by induction. The research shows that QIANJIN GROUP carries out internal market-oriented management through four paths of "market orientation", "business orientation", "profit orientation" and " benefit driven", and has achieved remarkable results. The conclusion shows that the construction of internal marketization management path, starting from the enterprise level and the employee level, can improve the goal consistency of the employee and the organization, stimulate the enterprise vitality, and improve the enterprise performance.

Keywords: QIANJIN GROUP, Internal marketization management, The path, Case study

1. INTRODUCTION

With the steady development of China's economic construction and the increasingly fierce competition in the enterprise market, some large state-owned enterprises have "big enterprise disease" such as relatively traditional management system, lack of vitality of employees, high cost and lack of innovation ability, which seriously hinders the development of enterprises. Facing the problem of "big enterprise disease", how to carry out the reform of enterprise management system, in order to effectively promote the development of enterprises, is the focus of attention of many state-owned enterprises, and the internal marketization of enterprises can be regarded as a low-cost and feasible option for state-owned enterprises in China at present [1]. By analyzing the development trend and operation principle of the external market, the business model is simulated inside the enterprise, so as to find out the effective strategies to deal with the external market competition and internal management problems.

Zhuzhou QIANJIN GROUP (Hereafter called QIANJIN) is a drug manufacturing as the main body of the pharmaceutical group company, in order to deal with the complex market environment, in recent years, QIANJIN draw lessons from the market trading rules, vigorously carry out market-oriented reform, after 5

years of exploration and practice, in many aspects to improve the efficiency of the enterprise has achieved remarkable results. This paper takes QIANJIN as an example, follows the general method of case study, analyzes its internal marketization management method, summarizes the strategy of building internal marketization management path, in order to provide reference for the internal marketization reform of other state-owned enterprises.

2. LITERATURE REVIEW

Shan Lu and Gaosheng Chen [1] (2004) believed that the so-called internal marketization of enterprises was to introduce the market mechanism into the enterprise through the reengineering of enterprise management mechanism, and to establish an enterprise management mechanism with the effective integration of unity and flexibility by taking each department within the enterprise as the operating subject of the internal market. Ling Luo and Guoyi Chen [2] (2006) pointed out in the study of the internal marketization management model of enterprises that the theoretical basis of the internal marketization management of enterprises includes transaction cost theory, decentralized management theory and human-oriented management theory. Transaction cost theory holds that any transaction activity in the market has costs. Decentralized management

theory believes that the implementation of internal marketization management of enterprises can make the internal departments of enterprises have a certain degree of management autonomy, to stimulate the role of each business unit; Humanistic management theory believes that the implementation of enterprise internal marketization, giving employees the right to operate independently, allowing them to self-management, self-development and self-motivation, to achieve a high degree of unity of "responsibilities and rights".

The enterprise that implements internal marketization authorizes each internal organization according to market demand in terms of management right. From the perspective of the horizontal management relationship, the cooperation relationship between the horizontal organizational structure within the enterprise is transformed into the internal market transaction relationship. From the function of each department, the management is the investment center, the subordinate department is the profit center. From the perspective of management means, the internal management means of enterprises have changed from traditional administrative means to market coordination means [3].

The internal marketization management of state-owned enterprises has a great applicability, especially to solve the disadvantages of excessively complex organizational structure and chaotic management, which has great advantages in effectively reducing the operating cost of enterprises, enhancing the vitality of enterprises and improving the adaptability of the market [4]. However, internal marketization management not only needs to simplify administrative management methods and empower employees with more rights, but also needs to establish a market-oriented business philosophy in accordance with the development requirements of the internal marketization management system of the enterprise, so as to better enable the enterprise to have competitive advantages in the market competition [5].

3. METHOD

3.1. Research Methods and Research Object Selection

Case study is one of the important research methods to establish and improve management theory, which is suitable for exploring dynamic processes in complex situations [6]. The main advantages of case study are as follows. (1) The results of case study can be accepted by a wider audience than the academic circle, giving readers an immersive sense of reality. (2) The case study provides easy-to-understand explanations for other similar case studies. (3) Case studies are likely to uncover special phenomena that have been ignored by traditional statistical methods. (4) Case studies are suitable for individual studies, not for research groups [7].

This study selected QIANJIN as the case study object, mainly based on the following reasons. (1) From the incubation, planning and publicity of QIANJIN in 2015, to the pilot in 2016 and to the full implementation in 2017, the internal market-oriented reform has achieved remarkable results, which has thoroughly stimulated the vitality of the enterprise, and is directly reflected in the substantial improvement of economic benefits and employee satisfaction. Therefore, QIANJIN case is typical and representative. (2) In May 2019, China Enterprise Confederation and Institute of Corporate Culture Management, School of Economics and Management, Beijing Jiaotong University launched the "QIANJIN GROUP Corporate Culture Research Project" and set up a joint project team, which provided favorable conditions for the data availability and convenience of this study. (3) According to the basis of literature review, preliminary analysis was carried out on this case, think QIANJIN internal marketization management effectively solved the problem of "big enterprise disease" of state-owned enterprises, improve the enterprise management activity, mainly reflected in economic benefit and the management system of the upgrading and improving, therefore belong to the category of enterprise internal market management research. (4) Through its own pilot exploration and practice, QIANJIN has achieved fruitful benefits and created a precedent for the internal market-oriented management reform of state-owned pharmaceutical enterprises. Therefore, this case study is helpful to refine and summarize the excellent experience in the construction of internal marketization management system of state-owned enterprises, and enrich the relevant research on internal marketization management.

3.2. Data Collection

3.2.1. Data Sources

According to the research of Haifa Sun (2004) on the methodology of case studies, the following principles should be observed in data collection. Firstly, there are many sources of evidence. Secondly, it is necessary to record and organize the data to establish the database of case study. Finally, the evidence chain is established with the case data, that is, the case data should logically connect the research problems and conclusions [8]. This article collects data based on this principle, as shown in Table 1.

3.2.2. Reliability and Validity

Internal validity was increased through literature review and comparison with existing studies. Following the logic of inductive analysis, the external validity of the case study is increased by summarizing the characteristics of internal marketization management and the strategy of system construction of the enterprise. Based on the employee interview records, company

system documents, and public media reports, a data database is established for repeated comparison, verification and analysis to ensure the reliability of the case study.

3.3. Analysis Methods

Considering the shortcomings of existing researches in the construction of enterprise internal market-oriented management system, this study adopts the induction method, which can develop new theories through

repeated iteration of research problems and evidence [6]. In view of the gap existing in the research of the internal market management system of enterprises in our country, the induction method can provide effective analysis ideas and research inspiration.

Through the analysis and collection of case data, this study finds that QIANJIN carries out change through constructing four main internal market management paths, including "market orientation", "business orientation", "profit orientation" and "benefit driven".

Table 1 Sources of case data

Data types	Data source	Data contents
Firsthand material	interview	In May 2019, the project team completed interviews with senior leaders (a total of 8 people), some middle-level cadres (a total of 8 people) and grass-roots staff representatives (a total of 14 people) of QIANJIN through field research.
Second-hand material	System file	The latest edition of the "Marketing Rules", "Production Rules", "Quality Reward and Punishment System", "Compensation Management Rules of Subsidiaries" and other electronic documents. Enterprise publicity, staff training, social responsibility reports, research reports and other electronic documents.
	Leader	Chairman Duanyu Jiang's public speeches, summary reports of various activities of the company and other materials.
	News reports	National, provincial and municipal media reports such as Workers Daily, China Business Daily, Hunan Daily, Zhuzhou Daily, and network media reports such as Guangming Net and Minne.com, totaling about 30 articles.

4. CASE ANALYSIS

4.1. Case Background

Zhuzhou QIANJIN GROUP is a pharmaceutical group company with drug manufacturing as the main body, the business scope covers the development, production and sales of proprietary Chinese medicine, chemical medicine, Chinese medicine derivatives, pharmaceutical wholesale and retail, Chinese herbal medicine planting and processing, culture and entertainment and other fields. At present, the group has 12 member units, about 7,000 employees and total assets of 3.31 billion yuan. In order to cope with the complex market environment, in recent years, QIANJIN draws lessons from the market trading rules and vigorously promotes market-oriented reform. After five years of exploration and practice, amazing results have been achieved. In 2016, the sales revenue of QIANJIN increased by 17.09 %, and the net profit increased by 96.25%. In 2017, sales revenue increased by 11.09% and net profit by 42.28%; In the first half of 2018, sales revenue decreased by 1.56% year on year due to the environment, while net profit still increased by 49.09%.

4.2. The Internal Marketization Management path construction of QIANJIN

4.2.1. Market Orientation

(1) Building an Internal Market

The first premise of the construction of enterprise internal market management mode is the change of ideology. In view of the relatively traditional backward management mode of some enterprises in our country, the establishment of the internal market-oriented management mode of enterprises must be changed one by one from top to bottom [9]. QIANJIN establishes internal product market, human resource market and capital market, and encourages each internal business unit to share resources and do business with each other in each market.

(2) Formulate Internal Market Prices in a Scientific Way

QIANJIN in line with the "voluntary, equality, competition, mutual benefit" principle, to collect a large number of basic data, and through the large data modeling, considering the production cost of each product as a whole, of the management and advertising

expenses, the company should be charged by profits, taxes and other fees payable, etc., determine the basic settlement price products, semi-finished products.

The internal marketization management of QIANJIN starts from the construction of internal market, encourages each operating subject to participate in internal transaction, abandons the idea of scale first in the past, and optimizes the input of resources and the structure of products. Internal marketization makes the internal management means of enterprises change from traditional administrative means to market coordination means [3]. QIANJIN has changed the internal relationship between the upper and lower processes, from the administrative relationship, the relationship between the service and the service, into the equivalent exchange of economic relations. At the same time, through the scientific internal pricing, it provides the principle and basis for the market transaction settlement. Only a perfect price system can make the internal marketization model of an enterprise run normally, and the internal transaction price can be effectively connected with the external market price, so that it has a certain chain effect, and the internal price can form a stable change when the external market price changes [9]. Thus, the following proposition is put forward:

Proposition 1

Through the market-oriented path, the internal market-oriented management promotes the reasonable allocation and flow of enterprise resources, and optimizes the internal management of enterprises. Scientific internal transaction price is the basis of the internal marketization of enterprises, which is helpful for enterprises to improve their ability to respond to market changes.

4.2.2. Business Orientation

(1) Business Management Unit for Independent Operators

The refinement of the internal division of labor represents the emergence of a new form of division of labor, which is a further subdivision of all the elements in the process of value creation [10]. QIANJIN firstly adjusted the positioning of marketing system and production system, transformed these departments from traditional executive agencies into independent operating subjects, and became an organization that enjoys its own interests and corresponding authority, and can operate independently and be responsible for its own profits and losses.

(2) Implementing Virtual Equity

In order to continuously enhance the motivation and vitality of employees, the company innovatively proposed the virtual equity system, which was first piloted in QIANJIN Pharmacy, a subsidiary of the group.

When the reform is fully rolled out, employees will be able to become "bosses" without having to pay a fee. The implementation of virtual equity more guarantees the interests of employees, is conducive to attracting and retaining talents, and encourages employees to continue to create value.

In terms of business orientation, the internal market-oriented management of QIANJIN strengthens the subject consciousness of employees, and each business unit is transformed into a close team with the same goal and related interests. The pilot implementation of virtual equity further guarantees the interests of employees and further enhances their work initiative. Thus, the following proposition is put forward:

Proposition 2

Through the business -oriented path, the internal market-oriented management needs to further subdivide the operating units, cultivate the employees to form the management concept of independent operation, self-responsibility for profit and loss and self-development, and associate personal interests with the interests of the company.

4.2.3. Profit Orientation

Before the implementation of the reform, QIANJIN's business objectives are measured by sales volume, so it is inevitable to avoid the phenomenon of increasing costs in order to sales volume, easy to form a scale complex. Through the internal marketing management, QIANJIN strengthens the guidance to the operation behavior of the sales area through the "Marketing Rules", and restrains the production behavior of the staff through the "Marketing Rules". Thus, the business goal of the enterprise turns to the profit from the sales volume, and the production department also improves the cost consciousness. By taking profit as an important assessment index, the enterprise has changed the past scale complex and returned to the basic goal of pursuing profit.

Under the condition of market economy, the operation mode of traditional enterprises is to complete the tasks assigned by the company, which leads to the lack of operation motivation and the influence of scale complex. At the same time, the cost consciousness of employees is not high, which leads to the increase of the overall performance of the enterprise, while all kinds of costs continue to rise, and then the profit performance of the enterprise is often inversely proportional to the performance. Through internal market-oriented management, QIANJIN not only guides employees to cultivate market consciousness and exchange consciousness, but also changes the inherent scale complex of the enterprise. The real core of the enterprise's operation is the pursuit of profit. Thus, the following proposition is put forward:

Proposition 3

Through the profit-oriented path, the internal market-oriented management cultivates the employees' profit consciousness and cost consciousness, thus changing the enterprise's business goal from the pursuit of scale to the pursuit of profit.

4.2.4. Benefit Driven

Through the reform of the salary system, QIANJIN ensures that employees' income is linked to their value contribution. After the implementation of internal marketization management, the salary of the sales area is not necessarily proportional to the size of the sales scale, but is proportional to the profit, especially the profit increment. The employees have formed a closer community with a shared future with the enterprise, which has enhanced the sense of ownership of the employees and guided them to work together, make more contributions and enjoy the fruits of the enterprise development together. Thus, the following proposition is put forward:

Proposition 4

Through the benefit-driven path, the internal market-oriented management ensures that the employee's income is linked to the value contribution, guides the employee to actively participate in the production and operation activities of the enterprise, and motivates the employee to work.

5. CONCLUSION

This paper takes the internal marketization management of QIANJIN as the case study object and uses the method of induction to conduct case analysis. Four propositions for the construction of internal marketization management path are obtained, and the

internal marketization management path model as shown in Figure 1 is obtained, which is analyzed as follows.

The internal marketization of enterprises can be realized mainly through four paths. The first is the market-oriented path, in which enterprises promote the rational allocation of resources and optimize the internal management. Scientific internal transaction price is the basis of the internal marketization of enterprises, which is helpful for enterprises to improve their ability to respond to market changes. The second is the business-oriented path, in which the enterprise further subdivides the business units, trains employees to form the business concept of independent operation, self-responsibility for profits and losses, and self-development, and associates personal interests with the interests of the company. The third is the profit-oriented path. In this path, enterprises cultivate employees' profit consciousness and cost consciousness, so as to change the enterprise's business goal from the pursuit of scale to the pursuit of profit. Finally, the benefit-driven path. In this path, the enterprise ensures that the employee's income is linked to the value contribution, guides the employee to actively participate in the production and operation activities of the enterprise, and stimulates the employee's work motivation. Therefore, the construction of internal marketization management path, starting from the enterprise level and the employee level, can improve the goal consistency of the employee and the organization [6], stimulate the vitality of the enterprise, and improve the performance of the enterprise.

The theoretical contribution of this paper mainly lies in that the previous studies mainly focus on the concept, characteristics and functions of internal marketization, while the construction of internal marketization by enterprises is relatively rare. Through case analysis, this paper proposes the construction path of internal marketization management and enriches the theory.

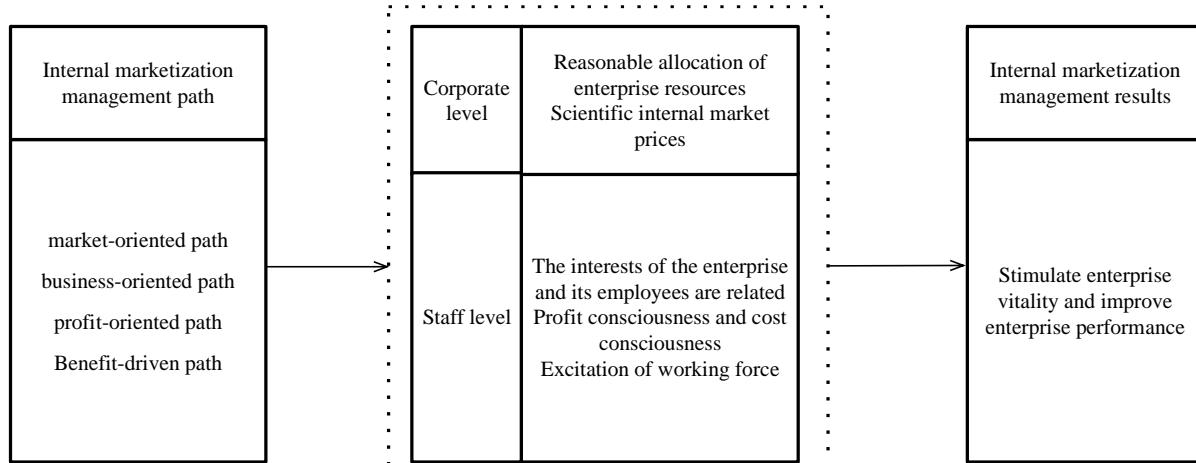


Figure 1 Internal marketization management path model

6. LIMITATIONS

In the process of case study, due to the limitation of time and experience, the author failed to adopt more scientific case study methods such as grounded theory to encode case data, which resulted in some defects in the validity of the case study. The author will make improvements in the future research. When specific conclusions are elaborated in case studies, it is difficult to obtain universal research conclusions, which is also one of the defects of this paper. QIANJIN belongs to a state-owned enterprise in the traditional Chinese medicine industry. The applicability of the internal market management path construction obtained from the case study is limited, so further cross-case comparative analysis and empirical study of relevant conclusions are needed to improve its application value. In the process of research, understand the QIANJIN of internal marketization reform exist a lot of difficulties at first, however, in this paper, the difficulty of reform is ignored, which is unreasonable in the actual development process of enterprises. In the later stage, this part of data needs to be analyzed and discussed, and conclusions or experiences from different perspectives can be drawn.

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