

# Management Point of China Auto Industry Development During the Innovation

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**Abstract.** Auto industry is the pillar industry of national economy and places in the important position during the national economy increase, job enlargement, and expands domestic demand. In the past decade, our auto industry has attracted worldwide attention. Our cost volume profit relationship is under high speed increasing that place the first auto country. Our proprietary brand gets good development with primary successful “go out”. Energy conservation and new energy auto is developing steadily and tamp basement for the industry development. Auto industry structure is under further optimization and production concentration degree with great development. However, there exist problems of the industry is big but not strong, there absent core center technology, the proprietary brand has weak competitiveness and the key parts development is lag behind. This article analyzes the present problems in auto industry. It is start from the industry technology innovation and management independent innovation to research the development mode of our auto industry. At last, it provides the strategies and advances that can develop our auto industry and promotes the independent innovation ability.

**Keywords:** China, Auto Industry, Development Road, Innovation

## 1. Our Present Auto Industry Condition, Existed Problems and Opportunity Analysis

### 1.1. Our Present Auto Industry Condition

During the ten years access to the WTO, our auto sales volume is 2.07 billion in the year of 2000 and up to 18.26 billion in 2010. There increases nearly 8 times during the ten years with the annual increase rate of 24.3%. It is the perfect and the fast ten years’ development for Chinese auto development. The proportion China auto production in the world auto volume grows from 4.27 to 22.38 during 2001—2009. China is already the world biggest auto production country. The auto technology in China has more progress but still far from the world advanced brand.

In one hand, the production break of 18 billion motor vehicles lead China auto market place to the world top and this record exceeds the highest sales volume year in America. This is the world number one and the first position of China market. Chinese consumers’ requirements are the first. However, the enterprise scale and production is number one in the world. All additions are also the same. China auto industry is actually the composing room of auto powerful nation and world auto magnate. The auto market is leading and operating by the transnational magnate. We attract the world auto powerful magnate by “seller’s market”. This can brings mingled hope and fear into China enterprise sales and occupancy. The higher production break will bring more pressure to energy, environment, and traffic.

On the other hand, the sales volume break of 180 billion motor vehicles has great promotion not only in quantity but also in quality. The independent brands meet the new difficult position. Most brands sales volume landslide with profit sharp cutoff. The present problem that independent brands meet is the result of

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previously development questions and long-term contradiction accumulation. In the past decade, our independent brands are start from low side. They place the under-drive market with low copy ability and price that joint venture do not condescend to do. They obtain some living space. This year is the year of “12th Five -Year Plan” and the market competition will be more horrifying. For our independent brands, the “11th Five -Year Plan” is the qualification year, the “12th Five -Year Plan” will be the trials year. Then to the “13th Five -Year Plan”, we think it will be the knockout match. In front of the horrifying competition, auto industry cannot seek for the protection of government and has no reasons to complain our customers do not support the independent brands. The key point is whether our brands can create value for the customers. Market requirement and customer expectation is our basic power to exist and develop.

### **1.2. The World Auto Industry Transform From West to the East—China**

Transnational enterprises carry out on a large scale into China. This brings great impact to mainland auto brands and production. There exist worry and controversy of joint venture impact since China auto industry joint WTO. However, the result is greater than the lost after the final demonstration. Depend on the strong joint venture basement, FAW, Dongfeng, SAIC and other state-owned enterprises can enter into the 500 tops of the world. Although “6+3” standards global auto magnate enter into China and own the mighty market position. Local sate-owned enterprises and private enterprises are also obtaining the fast development such as Chery, Brilliance Auto, Jili, Great wall, and BYD. For the customers, auto productions are more and more abundant with low price since the industry joint the WTO. In 2001, Chaalis price is 90 thousand -- 130 thousand RMB. In 2009, the Chaalis price is only 28.8 thousand – 45.8 thousand RMB. The Freema from MAZDA is 200 thousand – 300 thousand RMB, and now the price is only under 100 thousand RMB.

More transnational auto enterprises are placing the role of extruding Chinese independent brands. No matter the enterprises jointed in China market or the one that foam outside the joint venture door, some joint venture enterprises promote their independent brands. There exist some independent brands with sail under false colors – buy an outdated technology, change the exterior, and then transform to the joint venture independent brand. The low cost and low price is greatly influence the original market that Chinese independent brands placed. The angriest thing is some transnational enterprise borrows the joint venture shell and steadily gets the Chinese department allowance. These allowances come from the hard work by our common people.

### **1.3. Opportunity**

Our auto industry development is facing opportunities and challenges. The first level enterprise is sales the regulation. The second level enterprise sales technology. The third level enterprise is sale production and the forth-level enterprise sales cost. If we follow this, China auto enterprise – no matter joint venture or independent brand can only place in the third line or forth level. See clearly about auto industry and developing country has the technology distance. The government should stand in the position that encourage the independent innovation, arouse the technology staff and people to create positivity in order to increase our independent innovation. In order to create fair competition ability with strong auto country, new production development is creating the new revolution. From the product design to the structure design, form production mode to the operation mode. This revolution China and global industry countries they joint together for promoting the auto development opportunities. National strategies provide new opportunities for the auto development transformation and guide the direction. Our nation apply independent innovation, energy saving and emission reduction that can provide perfect outside environment and good for promoting industry development and technology innovation ability.

## **2. Research Independent Innovation Development that Correspond with Our Auto Industry**

China auto industry has been the various elements modes. The details are as follow:

Promote auto industry to the new stage there need to give up the knightly independent innovation. From the generalized understanding, independent innovations are all around. Form the auto production, the other side of independent innovation is: totally depend on others, import and reap where one has not sown. In actually, based on the different market environment especially the various road conditions in China and the

distinct behavior of customers, all the guided auto productions are go through the local transformation. Some even has great difference with foreign sales production. Indeed, these transformations are operating in the inner joint venture. Chinese investor and foreign investor join as the independence of joint venture. In addition, the final production has great difference with the primary guide production. Change means innovation. Therefore, they are the independent innovation production.

Innovation is the perfection based on traditional as the update of tradition and recreation. The premise is if cannot operate the tradition well, the innovation rate will be very low. The China auto industry is still in the primary phase, this period will has “copy” replace “innovate” for the objective reasons. If want to success by “copy”, there must not “copy” all the time and forget the design explore ability and independent brand training. Auto lightweight, carbon discharge, independent technology is the key word as well as the chasm that places in front of the auto industry. Resolve these problems are more important than research and develop electronic auto with more realities and bigger market.

The sustainable developments of auto industry there need to pay attention on environment, traffic, and energy problems. These are care about further development of auto industry. For the energy, we have limited oil resources. Out country has limited storage, the increasing import exist the worst scenario. In the short 3 decades, our oil resources import storage is over 50% in 2010 and the annual use is nearly 500 million tons. With the auto popularity, there will has 1 billion tons consumption. In the further 10-15 years, we will exceed America and place the first oil consumption country. The modern 100-200 years’ industry culture, depend on the ten billion original capital can get the fast development. People are digging coal, oil, and nature gas from the earth just like rate burrowing. This might destroy the nature environment and make damage for the crustal structure that cannot redeem. There will have obviously greenhouse effectiveness through the large-scale deposition of carbon dioxide. All these will lead the earth cannot bear the abundant and will influence the living environment. Moreover, will lead we face the energy problems and reality pressure. We will use new energy strategy. Our new energy auto has the basement and resource advantage. We should try hard to research and develop the industry basement. We can work out the untraditional energy auto then import the mature technology. This will reach the same development.

### **3. Bring Advanced Management Technology, Achieve Cost Development Innovation**

During the “12th Five -Year Plan”, the development environment of auto industry will has deeply changes. Our auto industry will face opportunities and challenges. We need to prepare our work in six faces.

The first is greatly increasing the independent innovation ability for our auto industry. Whether the new competition mode can create competition advantage that can exceed the competitor, the primary thing is whether the competition principle and method can correspond with domestic auto consumption and competition development. The long-term competition theme of domestic auto consumption is if you want customers to buy your auto production, you production need to innovate effectively on the competition development theme and create the advantage can correspond with customer special profit expectation and superior value advantage. China auto industry need to through product innovation, value innovation, management innovation and the whole price chain innovation that can finally dealing the challenges. There can even emerge some transnational enterprises through competition in the short time.

The second is there need to accelerate the speed of training and develop energy conservation and new energy auto industry. Auto industry need to pay attention to the problem of environment, traffic, and energy that can realize the sustainable development. This is concern about the further development of auto industry. Organize application of energy conservation and new energy innovation, break series of key core technologies. Make further perfect standard system of energy conservation and new energy auto. Steadily promote experimental unit demonstration of energy conservation and new energy auto. Complete new-energy auto admittance management and perfect auto production management of energy conservation.

The third is greatly promotes huge scale enterprise development, objectively train auto independent brand that has international influences. Insist market operation, express enterprise subject function, complete supporting policies, promote recombination, and increase industrial concentration. There need to strengthen

production quality management, establish perfect sale-service network, support brand establishment, greatly create huge scale auto enterprise with international brand and core competitiveness. Moreover, there need to strengthen consistency management of auto production and build openness, fairness, and minded production competition system.

The fourth is increase the parts development speed and complete the manufacture system. Reverse the present ubiquitous opinion of “value whole auto and neglect parts”. There need to increase the input power of parts field in order to promote the industry technology level and explore ability. Except the enterprise invest, the nation should encourage from the policy, guide the industry can under the healthy development and technology upgrade. In addition, during the process, there need to use objective international cooperation strategy. Bring the foreign advanced technology, digest, absorb and innovate, then train our independent talent team. Not let parts to pull hind leg of auto industry.

The fifth is accelerate the speed of “go out” and apply the international strategy. Support joint venture of enterprises from home and board. Strengthen technology import, digest, absorb, and innovate. Ceaseless and positively guide auto and parts enterprise can operate “go out” strategy. Encourage enterprise can establish research and development organization in foreign countries that can achieve the combination of production exportation and “go out”, combination of technology export and capital export. Moreover, build perfect production and network topology.

The sixth is strengthening standard regulation establishment and perfect legal system. Positively promote the formulation of Motor Vehicle Control Regulation. This will bring the perfect legal environment for the sustainable development of auto industry. Ceaseless strong and perfect standard system establishment, express regulation leading, and guide function during the auto development.

#### **4. Further Auto Industry Development Way**

China auto industries want to break the technology bottleneck need to achieve key technology system research and development, form the ceaseless innovation ability, grasp a series of original technologies then to create the key technology that can leading in front the world auto development. In order to formulate new energy auto measures, there need to formulate management regulation of energy conservation auto and come on the auto planning that include new energy auto. Make a general survey of auto production industry; homogenization is already the oldest question. When cannot change the whole environment, homogenization is obviously cannot bring under permanent control. In this basement, innovation will face the imitative misfortune without strain. However, when facing this reality, various methods can obtain different effects. We can believe, the crowd has plan in the proportion of product power and marketing power. This is the period that good wine needs brush. The marketing power proportion is obviously in the sharp rising.

In the environment of independent innovation, something can prove in various angles. There include the key technology cannot import, the things cannot import we should do it by ourselves. This is the simplest principle but covers the subtle criticize of Chinese enterprises and further anticipation. Technologies support the development. The first must be the strategy height support sustainable development, support production upgrade. There need to deepen reform of scientific and technological system, express main function of enterprise in the technology innovation. What is the “good recipe” of enterprise independent innovation? The combination of production, study, and research is the good way. In the innovation system of production, study, and research, the result short the distance with market and help enterprise to raise their competitiveness. It is needed to continue operate the strategy of revitalizing (invigorating) China through science and education, the strategy of reinvigorating China through human resource development and intellectual property. The high technology development is hanged on the opinion leaders. Therefore, the training of “talent” is very important. In the inner enterprise should establish one train system for the innovation talents. Build the correct value guiding and encourage system is vital importance for training innovation talents.

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