

ISSN: 2288-4610 © <http://kodisa.org/jemm>

Doi: <http://dx.doi.org/10.13106/jemm.2013.vol1.no1.1>

Restricting Factors and Countermeasures of Development in Business Services Industry of Shandong Province

¹ Wen Xiu Zhai, ² Dong Hua Lin,

1. First Author Professor in Shandong Academy of Social Sciences, china

2. Corresponding Author Professor in Shandong Academy of Social Sciences, china

E-mail: sdjnlhdhua4678@163.com

Received: September 20, 2013. Revised: December 10, 2013. Accepted: December 15, 2013..

Abstract

Firstly, this article expounds that business service industry plays an important role in adjusting industrial structure, transforming mode of economic growth, improving people's living standards, enhancing Enterprise's Kernel Competitiveness and promoting the development of service industry. Then it analyzes the development of business services in Shandong from two perspectives. The first perspective, by using methodology for statistical analysis, it will review the development scale, professional level, the number of opening units, quantity of employment, and operating revenue of business services in Shandong. On this basis, the article will summarize its development characteristics, experience and existing shortcomings. The second perspective, by using comparison analysis methodology, to compare the development of Shandong with Jiangsu, Guangdong, Zhejiang and Shanghai's and found the subjective and objective factors that restrict the development of business service industry in Shandong. In the light of restricting factors, countermeasures have been developed based on the experience at home and abroad. These countermeasures will contribute to promoting the optimization and upgrading of industrial structure, improving industrial competitiveness and speeding up the economic development rapidly and stably.

Keywords: business service industry, restricting factors, countermeasures and suggestions

1. Introduce

With the global economic transformation from industrial economy to service economy speeding up further and the industrial structure upgrading constantly, the proportion of business service industry in developed countries is increasing, business service industry has become pillar industry to drive economic growth. Business service industry is becoming an emerging industry in China which is a developing country, characteristics of high driving ability, high technology content, low resource consumption and low environmental cost. Business service industry in China is underdevelopment but has broad prospects. Shandong province has strong economic strength. Under the background of international services transfer speed up and the process of industrialization and informatization increasingly deepening, this article analyzes the development of business service industry in Shandong province, uses domestic and international business service industry development experience for reference, put forward suggestions to promote the development of business service industry in Shandong province. It has important realistic significance to upgrade industry structure, improve industrial competitiveness and speed up the economic development rapidly and stably.

2. The development situation of business services in Shandong province.

In recent years, business service industry has made considerable progress in overall development and industrial development. But as an emerging industry, business service industry has not formed a unified concept and scope not only in research field but also in statistical area. For the convenience of study, this article adopts new industrial classification for national economic activities to analyze. Business services consist of enterprise management services, legal services, consultation and investigation, advertising, intellectual property services, employment agencies, market management, travel agency and other business services. At the same time, this article uses the data of leasing and business services instead of business services because statistical yearbook doesn't provide independent data of business service. Although the specific data is different but not affect analysis results.

2.1. The general development situation of business service industry in Shandong province

In recently years, business service industry in Shandong obtained great progress but also has shortages. Now this article analyzes in surface according to statistical material.

2.1.1. GDP increases smoothly and has a certain scale.

From 2004 to 2010, the GDP of business services in Shandong increased steadily. In 2004, the GDP of leasing and business services in Shandong is 11261 million Yuan, accounting for 2.4% of tertiary industry. In 2010, the GDP of leasing and business services increased to 44341 million Yuan, the proportion of tertiary industry rose to 3.1%. From fig.1, we can see that the proportion of leasing and business services in tertiary industry increased smoothly from 2004 to 2010. In terms of growth rate, leasing and business service industry is a little bit higher than or about the same with tertiary industry in addition to 2007. The AAGR (average annual growth rate) is 13.5%.

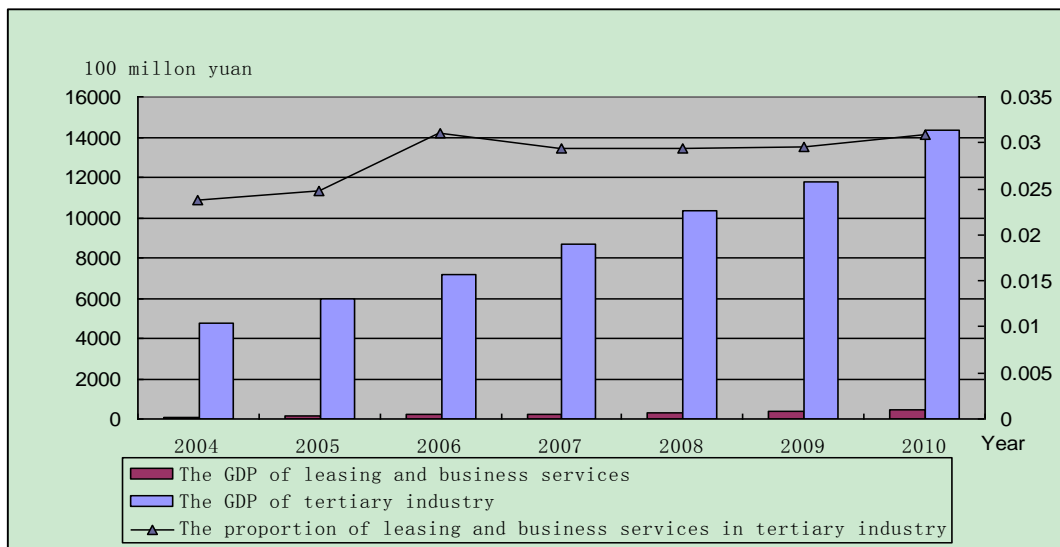


Figure 1. Compare the development of business service with tertiary industry

Origins of data : Shandong statistical yearbook of 2011

By the end of 2010, the number of corporate unit of business services is 39911, accounting for 18.4% of modern industry. Total Investment in Fixed Assets is 22668.51 million Yuan, accounting for 3% of modern industry. The full-year revenue of business services is 91747 million Yuan, accounting for 35.2% of service industry.

2.1.2. The number of employment is increasing and the situation of salary is improving.

Most service industries are labor-intensive industry, they are the main channel to absorb social labor. As an emerging service, the employment elasticity of business service industry is higher than other services. From table 1, we can see that , since 2005, employment in the whole society is increasing and the proportion of tertiary industry in total employment is rising. As an important part of tertiary industry, employment of business service industry has presented a good momentum of increase year by year. In 2005, leasing and business services absorbed 298000 labors, accounting for 9.8% of modern industry. In 2010, leasing and business services absorbed 584000 labors, accounting for 14.3% of modern industry. The employment of leasing and business services is more than information transmission, computer services and software, leasing and business services has become the second major employment sector of services.

Table 1. The employment situation of leasing and business service industry in Shandong from 2005 to 2010 (10 000 persons)

Index \ Year	2005	2006	2007	2008	2009	2010
Total employed persons	5840.7	5960	6081.4	6187.6	6294.2	6401.9
Tertiary industry	1709	1761.7	1826.3	1918.6	1982.7	2042.1
Modern service	304.3	313.4	329.7	357	379.9	409.4
Leasing and business services	29.8	32.9	37.6	43.7	49.7	58.4
Information transmission, computer services and software	37.4	39.8	40.6	46.8	51.7	58.2
Education	119.2	121.4	123.7	122.7	122.5	124.1

Note: modern industry in the table including information transmission, computer services and software, finance, real estate, leasing and business services, scientific research, technical services and geological prospecting, management of water conservancy, environment and public facilities, education, health care, social security and social welfare, culture, sports and recreation.

In the past five years, the average wage of leasing and business services increased steadily. We can see this trend from fig.2 In 2005, average wage of employed persons in urban units is 15238 Yuan. This number rose to 28987 in 2010. The AAGR of the average wage is 2000 Yuan, especially, 2008 increased five thousand Yuan than 2007

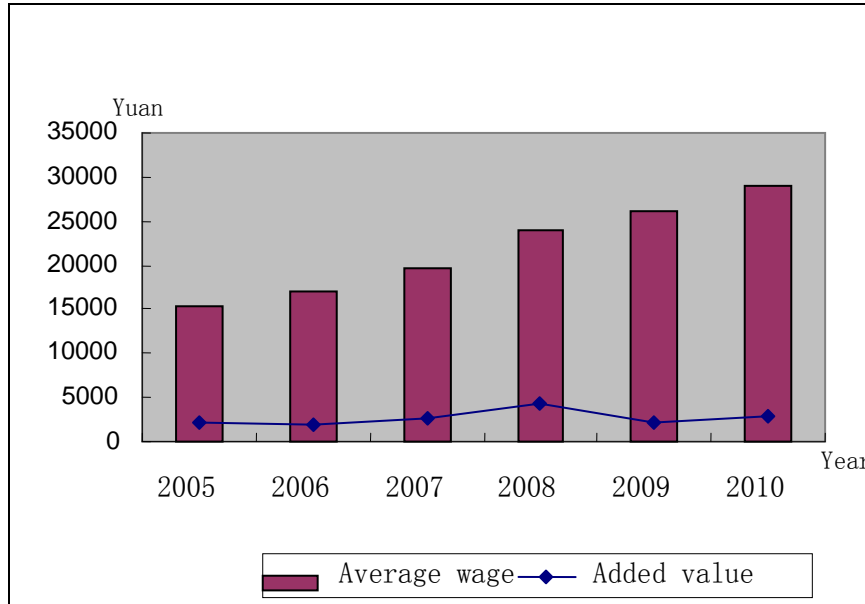


Figure 2. The wage of employed persons in leasing and business services in Shandong

3. Restricting factors of development of business service industry in Shandong province.

There are many reasons for the slow development of business services in Shandong province, following aspects are the main.

3.1. Concept updates gradually but understanding does not reach the designated position, directly restricts the development of business services.

Understanding of business services does not reach the designated position and does not take the role of business services seriously. In the past years, Shandong province paid attention to agriculture and industry, but despises the service industry. In practice, there are a lot of experiences to develop primary industry and secondary industry. But to develop tertiary industry, we are not only short in experiences and study, but also in government plans, financial support and macro-control.

3.2. The degree of socialization and specialization is not high, effects the development of business services.

As an important part of modern services, the development of business services and the level of

socialization and specialization have positive correlation. With the improvement of socialization and the deepening of specialization, enterprise will depend more on services sector. The level of socialization and specialization is not high mainly reflected in two aspects. On one hand, in terms of business service industry itself, the development level, quality and efficiency is not high. On the other hand, management of out-sourcing is not maturity, has not formed socialization and specialization trend. The degree of socialization and specialization is not high, lead manufacturing enterprises does not have strong demand for service industry, and these hinder the development of business services.

3.3. Infrastructure construction lags behind and the quality of employed is not high, limit the development of business services.

Firstly, urbanization process expands too fast, but infrastructure construction lags behind. Many developed cities such as Jinan and Qingdao, infrastructure construction does not keep pace with urbanization process and space distribution of business area is not reasonable. Meanwhile, the traffic infrastructure is weak, resulting in low traffic capacity. There is a wide gap between the infrastructure construction and the demand of industry development. Secondly, the development of business services needs a large number of high-leveled employees. But Shandong developed processing trade industry for a long time; industrial administrative level and the proportion of high-leveled are low.

3.4 .Urbanization level lags behind, restrains the development of business services.

According to business development experiences at home and aboard, the development of service industry is influenced by the urbanization level and the scale of city structure. The development of business services depends on relatively intensive population, industrial clusters and high-income groups. Shandong is not only a populous province, but also a major agricultural province. In 2010, the province's total population is 95.79 million, including 56.98 million agricultural populations, accounting for 59.5%. The consumption level of rural residents is 5733 Yuan, far lower than the level of urban residents. Rural residents' production and life style determine their smaller demand for business services, which against the development of business services. In addition, the trend that rural population flows to cities hinders the process of urbanization, which inhibits the development of business services.

3.5. Consumer demand is low, difficult to pull the development of business services.

People’s income level and purchasing power in Shandong are low. In 2010, urban residents’ and rural households’ per capital disposable and consumption expenditure are lower than Jiangsu, Guangdong, Zhejiang and Shanghai, or even lower than the national average. Consumption is one of “three carriages”, plays an important role in economic development. According to estimates, the economic effect of exhibition industry in developed countries is about 1:10. In Shandong is about 1:9. Shandong has broad consumption market, but the per capital income level is low and consumption habit is too tradition, limiting the consumption and the development of business services.

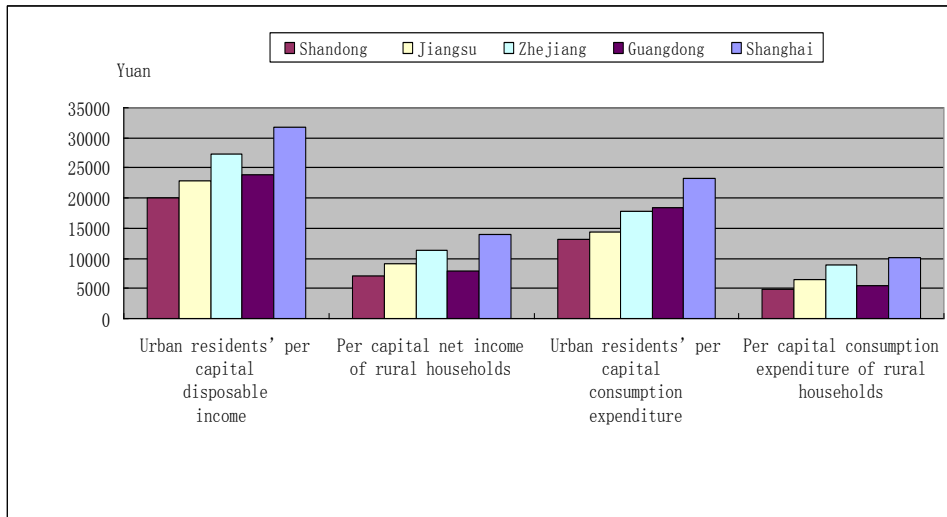


Figure 3. Comparison of consumption level with Jiangsu, Zhejiang, Guangdong, Shanghai

3.6 . Industry barriers hin business services.der the development of business services.

Entry barriers of business services are mainly embodied in the aspects of qualification, industrial standard, talents and service. Business service belongs to high-end services, the company which wants to entry needs to apply, has a certain number of registered capital and professional technicians who have rich production experience. Industry standard in China is generally lower than international level, domestic enterprises are difficult to gain international recognition and involve in international business. The development of business services in developed countries

is mature, domestic enterprises are difficult to undertake international business. Moreover, the cultivation of talents needs a long period and lots of human and material resources. Business service in Shandong is lack of talents and high qualified employees, forms barriers to enter business services.

4. Prospect and countermeasures of development in business service industry of Shandong province.

4.1 . Prospect of development in business service industry of Shandong province.

Shandong province achieved 3916.99 billion Yuan of GDP in 2010, the tertiary industry accounted for 36.6%. With the development of economy, the contribution of agriculture is shrinking and the proportion of service industry is increasing. According to estimates, China will enter the later stage of industrialization in 2015. At present, China is in industrialization, information, urbanization and international stage, all those provide a favorable environment for the development of business services in Shandong.

This article analyzes the development of business service industry in Shandong province, uses domestic and international business service industry development experience for reference, put forward suggestions to promote the development of business service industry in Shandong.

According to Shandong statistical yearbook data during 2004-2010, we find that the GDP of leasing and business services is changing in a linear trend. This article uses simple linear regression model to predict the future output.

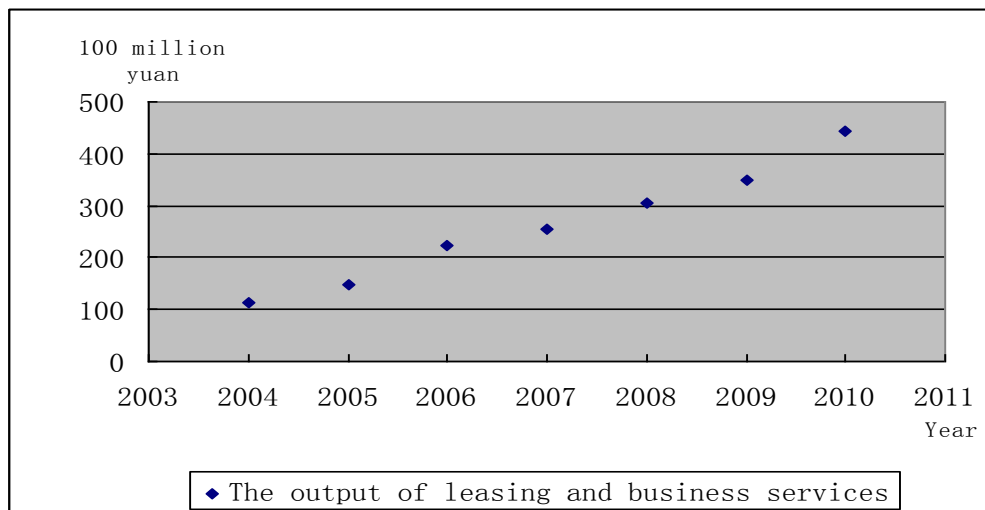


Figure 4. The scatter diagram of the development of leasing and business services

Here is the forecasting process and result which is made by Excel. ($\alpha=0.05$)

Table 2. The forecasting result

R Square	0.964805187
Significance F	1.38071E-05
P-value (Intercept)	1.40088E-05
P-value (X Variable 1)	1.38071E-05

According to the result, we can see that Significance F and P-value are both less than 1. This linear regression model has passed significance test. Get the regression parameter A and B are -105675.6189 and 52.7839 respectively. So we get the linear regression equation.

$$y = -105675.6189 + 52.7839x$$

This article forecasts the development of leasing and business services based on the equation from 2011 to 2015.

$$y_{2011} = -105675.6189 + 52.7839 \times 2011 = 47.28 \text{ (billion yuan)}$$

$$y_{2012} = -105675.6189 + 52.7839 \times 2012 = 52.559 \text{ (billion yuan)}$$

$$y_{2013} = -105675.6189 + 52.7839 \times 2013 = 57.837 \text{ (billion yuan)}$$

$$y_{2014} = -105675.6189 + 52.7839 \times 2014 = 63.116 \text{ (billion yuan)}$$

$$y_{2015} = -105675.6189 + 52.7839 \times 2015 = 68.394 \text{ (billion yuan)}$$

The predicted value is based on the steady development of our economy, not considers the influence of exogenous factors. The results tell that the development of leasing and business services will maintain a rapid rising trend.

5. Countermeasures of development in business service industry of Shandong province.

5.1 . Speed up the development of consulting industry and exhibition industry.

For a long time, exhibition industry, consultation and investigation are regarded as important carrier for business services. These industries not only can guide production, promote consumption and expand domestic demand, but also have huge pulling effect on tertiary industry. They are regarded as an important index to measure the degree of internationalization

and the level of economic development. At present, the international exhibition pattern is to expand to emerging economies. Shandong should take action to speed up the development of consulting industry and exhibition industry and make full use of various medias to publicize.

5.2. Speed up the training of influential business services, create brand effect.

At present, Shandong does not have exhibition projects which gain UFI certification. In commercial projects supported by the ministry of commerce, Shandong only has 6. The industrialization degree of business services in Shandong is low, government should actively guide to form a reasonable position. For enterprises which have good business performance, strong professional capacity and solid market foundation, government should offer certain financial and policy support. Encourage these organizations to develop in the direction of big and good, and encourage the business service agencies go abroad, to form a unique brand and lead the development of other business services companies.

5.3. Standardize industry service norm and improve the honesty mechanism.

On the one hand, it is sensible to learn business service industry development experience of other countries and build standard system. We can work from aspects such as: updating the existing industry service standards; standardizing the market; lining with international standards as soon as possible; preserving workers' interests; strengthening professional skill training , and improving the quality of employees and managers. It is necessary for enterprises to obtain a certain proportion high qualified talents. So we must review services personnel and enterprises regularly, give the unqualified ones corresponding punishment or revoke qualifications. If business do not possess standardized, it should try its best to implement its service commitments and the convention system widely, so as to improve quality.

On the other hand, we should establish promotion and market operation with the combination of personal credit inquiry system by the government and establish an open and transparent credit database. What's more, it is good to establish a more perfect credit laws and regulations suitable for China's national conditions on the base of drawing the experiences of developed countries in the aspect of credit management sufficiently. As to the enterprise and personal who violate the rules of the integrity, the relevant law enforcement departments should promptly told its rectification within a time limit and give the administrative punishment and publicize to the

society for the ones which ignore the warning. At last, in order to build a kind of good faith harmonious economic environment for the whole society, we must set up a blacklist system ; monitoring and managing the enterprise credit conditions of dynamic and enhancing credit risk control ability and self-discipline of business services.

5.4. Improve the rural consumption demand and guide rural business service industry development.

As a big agricultural province, Shandong's agricultural population accounts for more than half of the total population in the province, low income level and weak consumption consciousness hinder the business service industry development in Shandong. In order to solve this problem, we can strive from three aspects. Firstly, it's necessary to carry out vigorously propaganda, in order to improve rural residents' consumer awareness and understanding of business services especially the legal awareness and rights consciousness. Secondly, we should improve the network of community service according to characteristics of various regions and combine construction of new countryside, on these bases, develop the community services emerging formats. So it can form a community integrated service network that have reasonable structure, complete business facilities and service functions and high level management. Community will meet the needs of residents such as, shopping, catering, maintenance, beauty salon, laundry, family services and renewable resources recovery, and so on. Thirdly, in order to promote the development of business services in rural areas, narrow the gap between urban and rural areas and promote the rapidly and effective growth of business services, we ought to formulate the corresponding preferential policies to encourage undeveloped areas to carry out business services.

5.5. Reinforce investment and encourage foreign investment.

Investment and financial situation affect the development of industry directly. Shandong should strengthen the investment and finance to business services and encourage various social legal capital involved in the development of business services and give some appropriate preferential policy and interest rates. In addition, as the integration of world economy, government should guide foreign invest to business services actively; activate the investment market of business services in Shandong. Strengthen cooperation with foreign business service companies

especially in accounting, audit, legal and consultation. Form suitable market access system for domestic and foreign economies.

5.6. Accelerate technological innovation and talent development.

Business service industry is labor-intensive and knowledge-intensive industry, scientific and technical content, knowledge reserves and specialization level of practitioners have profound influence to the development of business services. The government should increase investment in scientific research, encourage enterprise to research and develop technological innovation, and register their patent timely. Give preferential policy and financial support to technological innovation. We can draw lessons from the practice of South Korea to offer certain subsidies and tax breaks for business service enterprises which engaged in technological innovation and form a innovation system, so as to improve the service efficiency and market reputation, reduce transaction costs. At the same time, carry out publicity and education activities to increase business services innovation and crack down on all kinds of illegal infringement behaviors.

In terms of personnel training, firstly, enterprises must strengthen the practitioner's qualification examination and organize regular professional training. Secondly, strengthen the cultivation of talents within colleges and universities for business services, according to the characteristics of different service personnel to carry out various forms of vocational training and re-employment training, encourage and guide social forces to invest to vocational training school. Again, perfect the talent introduction mechanism, make use of knowledge and information resources from developed countries and regions, improve the whole professional quality and give a certain reward to experienced talents, help them solve the problem about children education and so on.

5.7. Adhere to make the market as guidance and perfect the market mechanism.

As an emerging modern service, Shandong business services have not formed a perfect market mechanism. Through establishing high standards market operation mechanism and perfecting the laws and regulations to standardize business services and preserve orderly competition environment. Let self-discipline association instead of government to supervise and manage, solve problems such as malignant competition and form a fair market environment which conducive to the healthy development of business service industry.

5.8. Perfect related laws, regulations and policies.

In the current circumstances that the laws and regulations of domestic business services are not complete, Shandong should establish suitable laws and regulations including property right, rights and obligations, organizational form, punishment mechanism and so on. That should be in details possibly to make the business activities have legal basis and form a set of self-restricting mechanism. In addition, as an emerging industry, business services need support from government. The government should draw up industry development plan timely, guide business activities and offer certain preferential policies to business services companies in aspects of electricity, water, land, financial service and tax revenue.

5.9. Devote more efforts to developing international business services to improve the international competitiveness.

According to experiences of many developed countries, under the background of economic globalization, if enterprises want to maintain long-term development, they need to make full use of international market to promote their own development and resist international risk. Shandong should make full use of its economic and position advantages, develop international business services vigorously to promote domestic business services. Firstly, the government should encourage enterprises which develop rapidly and have good development prospects to develop service export. Next, learn foreign advanced theory actively and abolish or adjust the policy which not adapt to the development of business services. Create conditions for enterprises to exploit international market and improve international competitiveness, and then to achieve comprehensive and rapid development of business services in Shandong.

References

- Guo, Huaiying(2008). Draw Lessons from International Experience to Promote the Development of Business Service Industry. *Macro management*. 12, 67-68.
- Guo, Huaiying(2010). Industrial Characteristics and drive mechanism of business service industry. *China Economic & Trade Herald*. 7, 24-25.
- Niu, Yan-hua(2010). Discussion on the Development Features and Experience Enlightenment of International Commercial Service Industry. *Sci-Tech Information Development & Economy*. 18, 139-141.

- Pan, Hailan(2008). *Research on the Development of Modern Service Industry in China*. Beijing, China: China Financial and Economic Publishing House. 106-238.
- Rao, Xiao-qi, & Zhong, Yun(2010). Analysis of the Development Level of Business Service Industry in Guangzhou. *International Economics and Trade Research*. 6, 53-57.
- Research Group(2006). Research on Countermeasures for the Development of Beijing Business Service Industry. *China Business and Market*. 3, 24-25.
- Wang, Feifei(2011). *The Development Report of Exhibition Industry in Shandong Province*. Shandong, China, Shandong People's Publishing House.198-209.
- Zhao, Hong(2009). Development Analysis of Business Service Industry in Beijing. *China Small and Medium Enterprises*. 9, 36-37.