

The developing path of enterprises under the background of normalization of the epidemic: From the prospective of double cycle strategy

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Abstract: *The Fifth Plenary Session of the 19th Central Committee of the Communist Party of China proposed to accelerate the construction of a new development pattern with the domestic cycle as the main body and the domestic and international cycles promoting each other. The pattern is a major adjustment and improvement of the China's economic development strategy and path for the fourteenth five years and the future, and a major strategic deployment made with a view to China's long-term development and long-term stability. To realize this deployment, enterprises must make full use of the current favorable factors for China's economic recovery and development, and respond actively to and resolve domestic and foreign unfavorable factors. In the current post-epidemic era and based on the background of "double cycle" strategy, enterprises must positively integrate into the new development pattern, recognize the situation, change their concepts, and take appropriate countermeasures. For example, digital management can be used to save costs, large-scale data to explore consumption and vigor innovation to enhance the core competitiveness of products.*

Keywords: *"Double cycle"; COVID-19; Enterprise management*

1. Introduction

At the beginning of 2020, the sudden outbreak of the Covid-19 epidemic began to spread around the world, uncovering various economic and social contradictions that had been hidden in some countries for a long time. From the perspective of the international economic situation, affected by the impact of the epidemic, the global economy has experienced the worst recession since World War II. In a report released in May 2020, the Asian Development Bank predicted that the world economy would suffer a loss of 5.8 trillion to 8.8 trillion. US dollars due to COVID-19, accounting for 6.4% to 9.7% of global GDP.^[1] From the perspective of major global economies, the road to economic recovery will be much difficult. And with the continuation of a series of major international events such as Sino-US trade frictions, the Sino-Indian border conflict, the war between Armenia and Azerbaijan, and the Russian-Ukrainian war, China is facing a complicated and volatile international situation full of risks and challenges and experiencing unprecedented changes since the founding of the nation. In order to adapt to the changes in the stages of economic development and conform to the laws of economic development, the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China proposed to accelerate the construction of a new development pattern with the domestic cycle as the main body and the domestic and international double cycle promoting each other. This is a rational judgment and major deployment made by the Communist Party based on changes in the stages and conditions that China's development may face at present and in the future. It will definitely have a lasting and far-reaching impact on China's economic development in the future. Enterprises should keep pace with the times, follow the trend, and adjust constantly its own development strategy to achieve high-quality and sustainable development.

2. Analysis of the new development pattern of the double cycle strategy

The launch of the new double cycle development pattern is based on a profound economic theoretical foundation. The economic process is nothing more than the parts of production, distribution, exchange and consumption. In order to realize the sound development of the economy, it is necessary to ensure the smooth cycle between these parts. Domestic cycle means that production, distribution, exchange and

consumption occur within a country and international cycle means that a certain part occurs in another country. The new development pattern of double cycle emphasizes making good use of the domestic and international cycles, and the two promoting each other to form a benign development.

2.1 Expand domestic demand and stimulate consumption to promote the formation of a domestic cycle

The world is undergoing profound changes unseen in a century. Developing countries represented by China are rising constantly and participating actively in global governance, which has had an impact on the global governance system built by Western countries led by the United States. At the same time, the COVID-19 epidemic has spread to many countries and hit their economies, causing global economy to slump continuously.

In the post-epidemic era, many countries have begun to move back to their own industrial systems, making China's international environment difficult. Thus, there is a risk of supply interruption in the industrial chain under the background of obstructed international cycle. In response to structural changes in domestic and international situations, China must adjust its development strategy in a timely manner, relying more on domestic cycle and taking full advantage of the large domestic market size, by which China should expand domestic demand and stimulate its consumption in order to promote the formation of a large domestic cycle.

Increasing the consumption demand of the whole society is a prerequisite for expanding domestic demand. The increase in the consumption scale of the whole society can significantly promote economic growth significantly. The development experience of developed countries shows that in the process of a country's economy becoming mature, the improvement of the quantity and quality of national consumption will become an important driving force for economic growth and structural upgrading. One of the reason why the United States has been able to maintain its position as the world's largest economy for a long time is that its consumption has contributed largely to the economy. The total consumption in the United States accounts for more than 80% of GDP, and other countries also reach a high level, such as Japan reaching 77.6% and Germany for 75.1%. China has the largest population and thus the largest market in the world. However, due to some limited factors, China's contribution of consumption for its economic growth is much lower than that for developed countries, which is only 60%.^[2] With the global economy slowing down or even regressing due to the epidemic, and the domestic economy in the context of structural upgrading, it is difficult to continue the economic growth model led by investment. However, the growth of household consumption can serve as a new driving force for development, accelerating China's economic transformation and transforming its economic development mode.^[3] On September 21, 2020, the General Office of the State Council issued the "Opinions of the General Office of the State Council on Leading the Accelerated Development by New Types of Consumption led by New Business Formats and New Models" to the whole society. It stresses that China's government should form a system to stimulate new types of consumption, strengthen and promote the organic integration of online and offline consumption, strive to cultivate and expand various new consumption formats in the market, promote actively the accelerated integration of online and offline consumption, encourage and support enterprises to explore international market, and improve the construction of new consumption infrastructure and service assurance of various types of consumption, strengthen the construction of information network infrastructure, improve the infrastructure network of commerce and trade, continue to promote the integrated and innovative application of intelligent technology, promote the commercialization of data, and serve the computing resources of enterprises actively.^[4] This fully shows that the Chinese government is determined to optimize the consumption structure, increase the disposable income of low- and middle-income groups, encourage people to consume in education, pension, tourism, culture, etc., and increase people's sense of satisfaction.

2.2 Promote new development momentum by technological innovation and a virtuous cycle of domestic production

Promote the construction of a complete industrial chain and supply chain. Since the reform and opening up, China has drawn on the successful experience of the economic take-off of the "Four Dragons" in Asia, gradually established an export-oriented economic development strategy and participated in the division of labor in the international economy, building a large international economic cycle. China participated in the initial global division of labor system with its own advantages in land, labor and resources, in exchange for valuable capital, technology, and management experience. After that, through the technical knowledge learned and continuous efforts to innovate, China has gradually established a relatively complete industrial chain system. However, a lot of high-end technologies and

supply chains are still controlled by foreign manufacturers and suppliers. Chinese enterprises have to pay huge patent fees every year and face the risk of supply being interrupted at any time. The trade frictions and technological suppression that have been provoked continuously by the United States. For example, Huawei, a Chinese scientific and technical corporation, due to the inability to produce 5G chips, cannot manufacture flagship 5G mobile phones, and thus its share of the global mobile phone market continues to decline. Therefore, we must advance the modernization level of the industrial chain and supply chain, vigorously develop technological innovation, master key technologies and eliminate the technological containment so as to promote sustained and stable economic growth.

Build a high-quality value chain. Even with a complete industrial chain and supply chain, it cannot guarantee efficient resource allocation and high-value output. Technology is the primary productive force. Since the reform and opening up, China has made remarkable achievements in innovation and technological development. On July 20, 2021, the 600 km/h high-speed maglev transportation system with completely independent intellectual property rights undertaken by CRRC Corporation Limited came into service successfully in Qingdao. This is the world's first high-speed maglev transportation system with a design speed of 600 km/h, marking China's mastery of the complete set of technology of high-speed maglev and its engineering work.^[5] Although we have made brilliant achievements in some fields, there are still obvious technical shortcomings in many high-end fields. In the post-epidemic era, the trend of anti-globalization is prevalent, and China's basic industry links, technology research and development links, and applied innovation links are all not much smooth, and even fragmented to a certain extent. Moreover, in the economic global division of labor system, China's economic competitiveness has been at the middle and low end of the value chain for a long time. Thus, the efforts made are not proportional to the returns obtained, and the high added value has been taken away by some developed countries. Therefore, it is imperative to establish a relatively independent high-quality value chain. Moreover, building a high-quality value chain can not only increase residents' income as soon as possible, but also foster economic competitiveness.^[6]

The government should strengthen the virtuous cycle system of the real economy and the virtual economy. The outbreak of the COVID-19 epidemic highlighted the importance of entities. Many developed countries cannot meet the basic needs of their citizens for masks and other anti-epidemic items even though they have advanced technologies. The real economy bore the brunt of the COVID-19 epidemic and became the main force to restore economic growth. The virtual economy must serve the real economy in order to reflect the value of itself better. The cognition and policy adjustment of the relationship between the virtual and real economies began long before the epidemic, but the cognition is intermittent, and different voices often interfere. Taking advantage of the opportunity to restart economic growth after the epidemic, we should be determined to reverse the trend of deviating from real to virtual. Therefore, reconstructing the benefit distribution pattern of virtual and real economies is the key to building a virtuous cycle.

2.3 Adhere to promoting economic globalization so as to build an international cycle

At first, most developing countries had doubts about globalization and believed that multinational corporations were here to exploit themselves and engage in "neocolonialism", so they objected it from the bottom of their hearts. But after decades of development, people see that developing countries can benefit from globalization, especially from China's development process. Thus, almost all developing countries are supporting globalization now. In this sense, globalization and multilateralism is irreversible.^[7]

China has participated in two international cycle platforms, which includes the one built with the help of the World Trade Organization, and the Belt and Road platform that China has built since 2013. To establish a new international development pattern of double cycle, enterprises must start from the two platforms, open up the market of the countries that have come to an agreement, and realize a virtuous international cycle. At present, even US President Biden seems to have the intention to cancel the tariffs imposed since the trade war due to severe domestic inflation, but he will not change his policy of suppressing China in a short time. China can change its strategic direction from the US to Europe. Europe is currently in the stage of economic recovery and has huge potential for development. Helping to boost Europe's economic development will also help divert America's attention from China.

To build an international virtuous cycle, China must base itself on the domestic cycle, give full play to their comparative advantages, and coordinate the construction of domestic market and formation of a trade country. It also needs to attract global resources with the domestic cycle, make full use of both domestic and international markets and resources, promote the coordinated development of domestic and

foreign demand, import and export, inward investment and outward investment, and try to ensure the basic balance of payments.^[8] The new double cycle development pattern is by no means building a closed country in a new era, but a higher level of opening up to the outside world. The development of China's economy is inseparable from the big stage of the world. At the same time, China is also the promoter of the world's economic development. China will devote itself to building a global community of people's interests and a community of destiny.

3. Enterprise management under the background of double cycle

Since the reform and opening up, the domestic economy has developed rapidly. With the occurrence of landmark events such as China's accession to the WTO in 2001, China's globalization process has continued to deepen, and more and more domestic enterprises have gradually turned the domestic market to the global market. Digital management and industrial technology innovation are also connecting with international advanced enterprises actively. However, with the outbreak of the COVID-19 epidemic and its wild spread around the world and due to the different control measures adopted by each country, the production recovery of each country was much different. Although China's active and strict epidemic prevention measures achieved excellent results, other countries' measures were not satisfactory, which led to Chinese enterprises facing problems such as industrial chain disconnection caused by the inability to supply of foreign raw materials, the inability to obtain foreign technical support, and the loss of some foreign markets, though resuming production after a period of time. In order to deal with this situation, enterprises should respond to China's double cycle strategy and make corresponding changes actively.

3.1 Accelerate digital management

With the continuous development of Internet technology and the iterative update of related equipment, the Internet is accelerating the transformation of business models of traditional enterprises. The digital economy resulting from the development of the Internet has brought about structural changes in all aspects of society. In order to meet the new challenges brought about by these changes, enterprises must take the road of digital management.^[9] A digitally managed enterprise is one that uses digital technology to digitize both its internal and external businesses. An enterprise that has realized digital management can improve its efficiency, effectiveness and innovation, thereby enhancing the competitiveness of the enterprise.

In 2020, the sudden outbreak of the COVID-19 epidemic has caused immeasurable damage to various types of enterprises and domestic and foreign economies. In the first half of 2020, news about corporate bankruptcy was common. According to a report on the official website of the State-owned Assets Supervision and Administration Commission, China Merchants Group, one of the central SOEs that laid out digital transformation earlier, used online services to protect its market during the special period of the epidemic. Its subsidiary corporate, CMES Shipping supervise the voyage of more than 300 ships throughout the process by using new technologies such as networking, new satellite communication, remote monitoring, ensuring that production personnel in different regions can master and supervise the ship's navigation route, operation dynamics and production situation at home in real time and guaranteeing smooth operation of navigation and production safety.^[10] In the face of uncertain crises, companies with efficient digital management can respond to reduce or even avoid losses calmly.

Enterprises that realize digital management can be more agile, lean and automatic at the management and operation level. Operating in a flexible manner helps to improve adaptability and innovation. At the technical level, relying on sound integrated management and governance methods helps to achieve seamless connection of various new technologies and processes. And at the cultural level, it helps to promote cultural transformation, strengthen the concept of positive action, and form an atmosphere of mutual cooperation. By means of realizing digital management, enterprises can improve working efficiency, save time and cost, respond to national policies, seize historic opportunities, catch up with opportunities of the times, and accelerate development under the background of double cycle.

3.2 Use big data for exploiting new demand of consumption

As business organizations, it is the only successful way for enterprises to understand the market trends and exploit new consumer demands. At present, China has gradually entered a moderately prosperous society, and the main social contradiction has become the contradiction between the people's growing needs for a better life and unbalanced and insufficient development. Residents' traditional consumption

needs such as food, clothing, housing, and transportation have basically been met, and many industries have even experienced excess capacity. With the advancement of technology, domestic consumer demand has not decreased, but has changed from subsistence consumption to value consumption. Third-party payment has facilitated people's payment behavior. Meituan Food Delivery enables people to enjoy delicious food without leaving home. The Internet allows people to shop online. The COVID-19 epidemic has spawned various new cloud consumption models, and much offline consumption has turned to online consumption, rendering live streaming of goods and live shopping becoming a new consumption trend. Enterprises should actively change traditional concepts, strive to explore new consumer products, gain a deep understanding of the market, explore online business methods, and guide themselves by user needs, promote online and offline coordination and in-depth integration of all channels, and provide consumers with precise products and customized products.

We are on a timing of rapid technological development, and data has become the latest factor of production. In the new retail era, one of the biggest features is the integration of online and offline consumption, and in the process of integration, huge energy of big data will be released. Most traditional offline stores have a mature membership system, while online malls have clear data traces about users' consumption trajectories. Through big data technology, online and offline data are connected to establish a multi-dimensional user portrait. Only then can we achieve the goal, that big data knows yourself better than yourself. For example, enterprises can analyze consumer browsing history, historical consumption data, and after-sales feedback data and so on, and analyze types, prices, preferences, and concerns of consumer demand accurately so as to exploit consumer demand.^[11]

3.3 Innovate to create competitive edges

After the epidemic eased, the development of the street stall economy, small store economy, and contactless economy has become a policy orientation. However, it is still difficult to enhance the economic value of employees and the added value of the industry. In the economic global division of labor system, China's economic competitiveness has long been at the middle and low end of the value chain. The efforts made are disproportionate to the returns obtained, and the high added value has been taken away by other countries. Building a high-quality value chain can cultivate the core competitiveness of enterprises.^[12] The establishment and cultivation of core competitiveness is extremely important for establishing the market leadership and competitive strength of an enterprise. To that end, enterprises must take a long-term view from a strategic height. They need to review their business, resources and capabilities, and observe the development trend of market demand and technological evolution. Through enterprises' innovative spirit and innovation ability, enterprises can identify the development direction of their core competitiveness and define the technology that constitutes the core competitiveness of themselves.

Efforts to build a high-quality value chain in the domestic cycle strategy demonstrates that the necessity of a company to have core competition. The reason why the United States suppressed Huawei is that Huawei has technologies that it did not have. The fact that Apple can make huge profits every year resorts to its irreplaceable products for plenty of consumers. The U.S. government continues to use "science and technology" as a way to put China's development down, which reminds enterprises to develop innovation vigorously, cultivate their core competitiveness, and build a high-quality value chain.

3.4 integrate into industrial chains and cooperate for win-win situation and development

Affected by the epidemic and the changes of the century, the global industrial chain has shown a new development trend. The outbreak of the COVID-19 epidemic has made countries fully aware of the importance of localization of industrial chains, and stronger willingness to relocate related industries back to the country. The conflict between Russia and Ukraine has made many countries pay more attention to the security of the industrial chain and supply chain. It has been an important trend for countries to strengthen resource integration and protective measures and localize production of key raw materials, pharmaceuticals, medical equipment and epidemic prevention materials in order to reduce external dependence. Enterprises should deploy new industrial chains in advance, comply with new industrial development trends, and strengthen cooperation between enterprises. In today's business environment, companies cannot stand alone. The era of sweeping the snow before your door and not worrying about the frost on the roof of others, as a Chinese saying goes, has passed. Enterprises must cooperate closely with upstream and downstream partners to have more development opportunities.^[13] Upstream and downstream enterprises can integrate resources and share interests and risks through equity incentives and other methods, which is a shortcut that can promote the rapid development of enterprises.

4. Summary

The proposal of the double cycle strategy is a new strategic development pattern proposed by the Chinese government based on the domestic and international economic situation, and also a strategic choice to reshape China's international cooperation and form new competitive advantages. On the surface, this is a measure to deal with the weakening of the global economy, the prevalence of trade protectionism and the malicious challenges of anti-China forces; from a deep point of view, this is also an important strategy for China's high-quality economic development. The double cycle strategy brings important development opportunities to Chinese enterprises, and may also bring some crises. But crises and opportunities are often corresponding, and where there is a crisis, there is an opportunity. At present, enterprises should conform to the trend of the times actively, strive to seize the major development opportunities brought about by the double cycle, promote the process of digital management, to save costs and improve efficiency and make rational use of big data and other science and technology to exploit the market and meet the new consumer needs. They also need to take innovation as the first development imperative, strive to build a high-quality value chain in order to endow enterprises with core competitiveness, integrate into the industrial chain actively and seek greater development space through win-win cooperation.

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