

# Research on Dilemmas and Rescue Measures of Enterprises in the Yangtze River Delta Under the COVID-19 Pandemic

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**Abstract:** Due to the closure of the Shanghai area, enterprises in the Yangtze River Delta region were affected by the epidemic and faced problems such as supply chain disruption, soaring costs and lost orders. This research uses a combination of in-depth interviews and questionnaires to study the current situation, relief measures and government policies of some enterprises in the Yangtze River Delta region under the impact of the new crown epidemic, and on this basis, make relevant recommendations: (1) Operators develop "risk control" methods and rules to improve their ability to deal with unforeseen situations. (2) Companies are strengthening their innovation and exploring new models of development. (3) The government sector provides long-term, stable assistance for the development of all types of businesses, depending on the characteristics of the sector.

**Keywords:** COVID-19 Pandemic, Yangtze River Delta Enterprise, Rescue Measures.

## 1 INTRODUCTION

Since March 2022, the Yangtze River Delta city cluster, centered on Shanghai, has been affected by the epidemic to implement regional closure and control, and most enterprises' production and operation have been significantly affected. How to help industries and enterprises seek their development space and improve weaknesses is a key topic for the restoration of social and economic order and economic recovery<sup>[1]</sup>.

In conjunction with General Secretary Xi Jinping's request for young students to "measure the land of the motherland with their feet and discover the spirit of China with their eyes", the researcher participated in the "Visit Ten Thousand Enterprises, Read China" social survey project by distributing questionnaires and conducting online interviews to 137 enterprises in the Yangtze River Delta region.

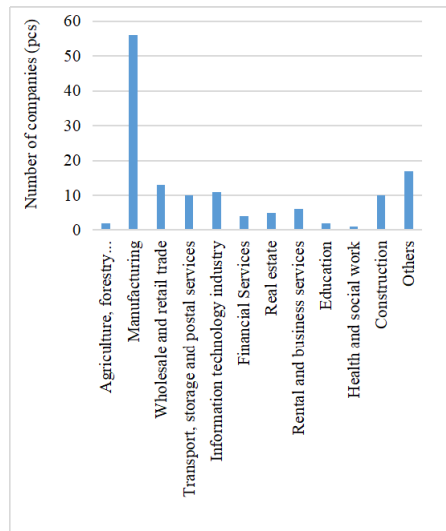
This paper selects the manufacturing industry, foreign trade industry and Internet service industry, which are affected by the epidemic, and takes several representative enterprises as the entry point for detailed analysis. Also, since micro and small enterprises are a major driver of sustainable and social development in developing countries<sup>[2]</sup>, the researcher also focused on some of the smaller companies in the Internet industry.

The innovations and contributions of this paper are:

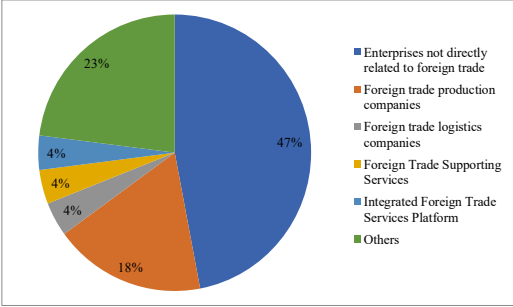
- Through the interview form of investigation, researchers can get first-hand information. The enterprise situation will be clearly judged and the industry insider will be deeply investigated.
- Focusing on the Yangtze River Delta region, analyzing the plight of enterprises and relief policies, which will serve as a reference or demonstration for the future development of the Yangtze River Delta and other regions.
- In the current post-epidemic era, it is important to accurately analyze the impact on enterprises, summarize the challenges faced by enterprises, and give corresponding suggestions to promote the steady development of enterprises under the normal management of the epidemic.

## 2 GENERAL DESCRIPTION OF BUSINESS DILEMMAS

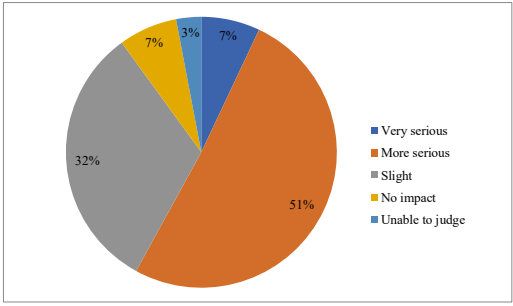
The statistical analysis of the 137 questionnaires shows that the manufacturing sector accounts for the largest proportion of the enterprises studied, reaching 56%. In terms of the types of enterprises to which they belong, there are also a significant number of enterprises with foreign trade operations, accounting for about 30% (Figure 1 and Figure 2).



**Figure 1.** Industry in which the company's main business is located

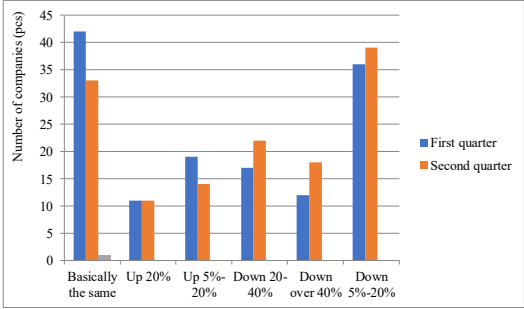


**Figure 2.** Type of business



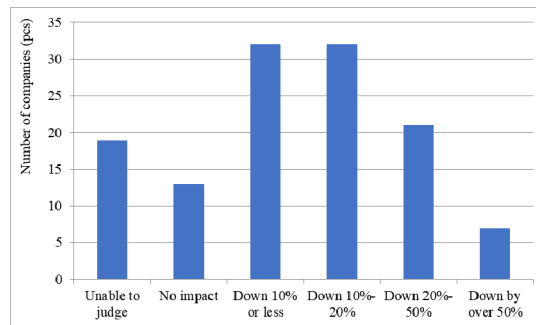
**Figure 3.** The extent to which the industry is affected

In Figure 3, the majority of the 137 companies surveyed were hit by the outbreak, with 58% of them being more seriously affected.



**Figure 4.** Change in order intake compared to the same period last year

The first and second quarters were the splitting point for the seriousness of the epidemic in Shanghai, with many companies facing a drop in orders and a shortage of raw materials due to the closure of the epidemic. As can be seen from Figure 4, orders during the epidemic were basically flat or down 5% to 20% for most companies compared to the same period last year, with companies being significantly more affected in the second quarter than in the first quarter.



**Figure5.** Full year revenue target impact

As can be seen in Figure 5, 74% of companies had a decrease in their annual revenue targets, which shows the serious impact of the epidemic. However, 13% of these companies still had increased revenue targets for the year. According to the survey, it is likely that the medical device industry has seen an increase in revenue due to the need for medical devices to support the epidemic.

In this paper, the automobile manufacturing industry and the automobile accessories foreign trade industry were selected as the entry points for analysis, to explore the impact of the epidemic on the production and operation of enterprises.

Nowadays, the Internet service industry is developing rapidly, and a large number of small and medium-sized enterprises in the industry are in the start-up period. The epidemic has undoubtedly brought enormous pressure and challenges to them. Therefore, the researchers selected some small and medium-sized enterprises as examples for the Internet service industry to conduct research and exchange to understand the industry insider.

## 2.1 Automobile Manufacturing Industry

After the outbreak of the epidemic in Shanghai, the country implemented social static management for the epidemic area in order to prevent further spread of the epidemic, which followed problems in the supply chain, supply side and demand side of the manufacturing industry, causing considerable impact on the manufacturing industry.

Labor, raw materials, and capital are essential components of the manufacturing production process<sup>[3]</sup>. However, with the control of the social side, a large number of laborers were prevented from returning to work, which led to the stagnation of enterprise production activities. At the same time, the original supply chain of enterprises has been interrupted by the epidemic. Some of the interviewed automotive manufacturers revealed that certain irreplaceable high-end raw materials (such as chips) are still dependent on imports. However, affected by the epidemic, enterprises had to choose to clear customs from Chengdu and other places, resulting in rising procurement costs and a lengthening of the raw material supply timeline.

At the same time, the mass travel is hampered, the demand for cars is shrinking, and the product inventory keeps accumulating, occupying corporate funds, plus the rigid expenses such as interest, staff salary and rent, which directly puts a considerable pressure on the enterprise.

## **2.2 Automobile Accessories Foreign Trade Industry**

As of 2019, the data released by the General Administration of Customs shows that there are 406000 actual private export enterprises in China, which is the largest foreign trade entity. The European Union, the United States, Australia and other countries are China's major trade partners, accounting for more than 80% of China's total import and export<sup>[4]</sup>.

The researchers learned from exchanges with foreign trade enterprises of automobile accessories that during the epidemic, some countries raised the quarantine inspection standards for export containers of enterprises, which resulted in prolonged transportation time of export goods, increased transportation costs and increased business pressure of foreign trade enterprises.

Because the product branches of the industry are relatively small, the enterprise scale is generally small, the product competition is fierce, and the cooperation is very few. Therefore, in the face of the COVID-19 outbreak and other major public health emergencies, the prevention of "group heating" cannot be well done.

In addition, the Canton Fair, Import Expo and other large expo technology exchange sessions can not be held as scheduled, customers cannot come to the factory to communicate with the company, making some of the main business to view products (such as car fragrance) for the automotive foreign trade enterprises product development has been greatly restricted, the production and operation of enterprises is deteriorating.

## **2.3 Internet Service Industry**

With the booming economy in China, small and medium-sized enterprises are mushrooming, not only promoting our economic development and technological growth, but also increasing more jobs. In particular, the Internet service industry has become the choice of many investors due to its low start-up capital and small operating costs.

However, as some small and medium-sized enterprises are still in the initial stage, they are faced with difficulties in sales, competition, capital shortage and other problems, and the impact of the new crown epidemic is even more difficult. The following is an analysis of the current situation of some Internet service enterprises in the Yangtze River Delta by means of interviews.

### **2.3.1 Shuyanyu (Shanghai) Science and Technology Co., Ltd.**

Shuyanyu (Shanghai) Science and Technology Co., Ltd. is mainly engaged in medical device product evaluation services. Affected by the epidemic, the company can only implement the home office. Due to the short establishment of the company, members do not cooperate enough, can not complete the output of data reports and project arrangements in a timely and efficient manner.

At the same time, it is difficult for the government to give the specific time of the estimated clearance and release of quarantine, thus causing negative impact on the contract performance of enterprises and customers, resulting in enterprises afraid to take orders, thus leading to a decline in order volume.

### **2.3.2 Shanghai Qipin Talent Technology Group**

Shanghai Qipin Talent Technology Group is mainly engaged in human resources services and Internet data services.

However, the persistence of the epidemic has led to the communication between enterprises and customers being limited to online, which has reduced customer stickiness. At the same time, online office is completely dependent on the autonomy of employees, communication between colleagues is also significantly reduced, and there is also a decline in employee efficiency.

Some offline communication and promotion activities scheduled by enterprises are also forced to be transferred to online, which leads to the problem of applicants' lack of understanding and trust in corporate positions and companies when recruiting talents, and reduces the efficiency of talent recruitment.

### **2.3.3 Shanghai Yuwen Education Technology Co., Ltd**

Shanghai Yuwen Education Technology Co., Ltd. is mainly engaged in sand painting art. Before the epidemic, the company not only had offline teaching courses, holiday parent-child activities, but also had project cooperation with international schools, providing offline teaching courses for schools, however, affected by the epidemic offline courses turned to online teaching, the effect of the courses became worse, thus affecting the publicity and promotion of business. At the same time, affected by the national double reduction policy, business negotiation cannot be handled, and enterprise financing is difficult.

## **3 RESCUE MEASURES OF ENTERPRISES**

Although the epidemic continues to affect our country and the global economy, it is undeniably an opportunity to force companies to reflect on their own situation, how to nurture new opportunities in the crisis and turn around the unfavorable situation to maintain operations.

### **3.1 Broaden Channels and Expand Extension**

"Raw materials" are the basis of productive enterprises. Under the influence of the epidemic, a considerable number of manufacturing enterprises were forced to stop production because of the limited supply of raw materials, which is equivalent to the end of manufacturing at the beginning. Enterprises broaden the supply channels of raw materials and timely adjust the original production strategy in case of the major public emergencies, thus reducing the losses. For example, some enterprises with intelligent equipment began to produce anti epidemic materials such as masks and protective clothing, which not only met the market demand, but also created economic value for enterprises<sup>[5]</sup>.

### **3.2 Export to Domestic Market and Expand Domestic Market**

With the rampant spread of foreign epidemics, the demand of foreign markets has declined, and with trade barriers, the profits of export goods have been maliciously suppressed. On the other hand, the epidemic situation is well controlled at home, so foreign trade enterprises can develop the domestic market. After all, the domestic population base is large and the market demand is huge. On June 22, 2020, the General Office of the State Council also issued the Implementation

Opinions on Supporting the Transfer of Export Products to Domestic Sales<sup>[6]</sup>. The policy encourages foreign trade enterprises to develop the foreign market while opening up the domestic market, which can not only help foreign trade enterprises to open up a new situation, but also enrich the supply of the domestic market, We will vigorously promote both domestic and international circulation.

### **3.3 Organic Combination of "Internet+" to Improve "Soft Management"**

The business model of "Internet+production" has outstanding advantages in the epidemic era. In addition to the products themselves, manufacturing and foreign trade industries also involve many other functional links, such as product design, production and quality inspection.

In the post-epidemic era, however, companies are gradually discovering that simply making manufacturing smart doesn't seem to work efficiently. Therefore, developing and building a new enterprise management platform to enhance internal communication and collaboration among employees through online meetings and live streaming may be one of the important initiatives to effectively improve work efficiency in the post-epidemic era.

## **4 RESPONSE MEASURES OF GOVERNMENT**

In the post-epidemic era, how the government can help enterprises resume work and production and effectively reduce the economic losses incurred during the epidemic closure and control has become the focus of attention of enterprises in the Yangtze River Delta region.

### **4.1 Reduction and Exemption of Subsidy Rigid Expenditure**

In February 2020, the executive meeting of The State Council decided to exempt social insurance premiums for enterprises in stages, and enterprises suspended the payment of housing provident fund, which greatly alleviated the pressure on enterprises.

In March this year, the SASAC issued the Notice on Rent Reduction and Waiver for Small and Micro Enterprises and Individual Businesses in the Service Industry in 2022 to reduce the rent for the relevant enterprises for six months in the current year, relieving their urgent needs. The Shanghai Action Plan for Accelerating Economic Recovery and Revitalization, released by the city on May 29, also provides subsidies for companies.

### **4.2 Optimize Services and Promote the Resumption of Production**

In order to improve the convenience of enterprises' resumption of work and production, the General Office of the State Council issued a notice requiring governments to streamline the approval and conditions for resumption of work, and set up special columns on the national government affairs platform to improve the efficiency of enterprise business approval.

In the interview with Kunshan Ansenda Microwave Technology Co., LTD., the researcher learned that the Kunshan government launched the "Kunrui" enterprise service platform, which can automatically calculate the amount of relief for enterprises, making it easier to provide relief services for enterprises. The platform has improved the efficiency of the government's services and better helped enterprises to overcome the difficulties of the epidemic.

## 5 CONCLUSIONS AND RECOMMENDATIONS

The epidemic sealing and control in the Shanghai region has caused various types of enterprises in the Yangtze River Delta to face different dilemmas and challenges. In general, manufacturing, foreign trade and some small and medium-sized enterprises are more affected.

The epidemic lockdown has caused supply and demand problems for manufacturing enterprises, such as increased procurement costs and stagnant production activities, which directly affected the normal production and operation of enterprises. For foreign trade industry, enterprises are limited by export control, operating costs have risen significantly. For small and medium-sized enterprises in the Internet service industry, the problems of the start-up period have been magnified under the impact of the pandemic.

The crisis has also forced companies to act quickly, flexibly adjusting their production strategies, expanding domestic markets and accelerating the digitalization of management, to unleash resilience in the midst of adversity. At the same time, the government has also introduced relevant rescue policies, such as rent reduction and exemption, subsidies and optimization of relevant handling services, to help enterprises accelerate the resumption of work and production and effectively reduce losses.

In the post-epidemic era, the researcher makes the following recommendations:

### 5.1 Improve the "Risk Control System"

In order to prevent major public health emergencies from hitting the pause button on production and operation, operators can develop rules and regulations to prevent and resolve major emergencies based on their own situation, such as setting up relevant "risk control" departments and strengthening daily simulation training, so as to improve the ability of enterprises to cope with emergencies.

According to the dynamic capacity theory, MSEs need to begin to ensure business continuity in unpredictable environments through building capabilities to perceive threats of opportunity, seize opportunities, and shift paradigms<sup>[7]</sup>. This rule applies to other types of businesses as well. And the perfect risk control system is the key to shift paradigms.

### 5.2 Strengthen Innovation and Explore New Models of Development

In the post-epidemic era, innovation is the key to business survival. Only by accelerating the digitalization process of enterprise management, creating a new management mode, and constantly exploring and improving the business strategy of enterprises can enterprises reshape themselves, seize opportunities and continue to develop in difficulties.

For example, during the period of closure and control, enterprises can arrange online training to enhance the professional skills of employees and inject vitality into business operation; innovate management systems and try new management models to fundamentally improve the overall quality of enterprises.



### 5.3 Strengthen Policy Support

In the current economic environment, government departments should provide more assistance to the development of various types of enterprises, according to the characteristics of the industry. For large enterprises, the government can enhance regional talent introduction programs and improve talent recruitment subsidies and enterprise development guidance mechanisms. For MSEs, the government should provide continuous policy support, such as subsidies, tax reduction and fee reduction, to provide reliable guarantee for their survival and development. Besides, for MSEs digital transformation, the government can play a prominent role by raising digital transformation awareness, increasing labor-power competence, providing technical and financial support, and strengthening data communication infrastructure<sup>[8]</sup>. At the same time, good policies will encourage social innovation and entrepreneurship, and can further boost the country's economy.

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