

# Application of Balanced Scorecard in E-Commerce Enterprise Performance Management—Taking Alibaba Group as an Example

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**Abstract.** Firstly, this paper introduces the concepts and objectives of the four dimensions of the balanced scorecard, as well as the influence and relationship among the four dimensions. Secondly, on the basis of theory, the traditional performance management model based on financial indicators is compared with the Balanced Scorecard theory, so as to demonstrate the limitations of the traditional performance management model and the necessity of the application of the Balanced Scorecard theory. Finally, through data collection and case analysis, this paper takes Alibaba Group as an example to analyze how Alibaba Group's corporate strategy promotes its growth as the first and second largest business enterprise in China from the perspective of finance, customers, internal operation, and learning and growth. Moreover, Alibaba Group has a trend of continuous growth in both profit and customer activity. The research results of this paper can explain to a certain extent the superiority of Alibaba Group in performance management system compared with other e-commerce enterprises, and provide suggestions and references on how other enterprises should choose performance management mode under the background of the rapid development of Internet economy.

## **Introduction**

With the rapid development of the global economy and the arrival of the information age, the development of various enterprises is facing unprecedented challenges as well as opportunities. However, among many enterprises, e-commerce companies are the most worthy of study, because with the accelerated pace of life and the gradual improvement of the Internet sales platform, online shopping is not only a trend, but also the most popular and habitual shopping way for contemporary people. However, in the virtual network environment, the competition among e-commerce companies is very fierce because of the transparency of prices, and the similar sales methods. Alibaba Group's market share is in an unsurpassable position of more than 50% per year. Therefore, the selection of this enterprise for analysis is representative and meaningful.

The Balanced Scorecard can develop and implement effective strategies from the perspectives of financial supervision, customer level, internal operations, learning and growth, as a result, strengthening the execution capabilities of the company, enabling managers to coordinate long-term and short-term, internal and external targets, and realize continuous development in the future. In the context of virtual networks, how to maintain long-term cooperative relationships with customers and mobilize employees' work enthusiasm is a problem faced by most e-commerce companies. [8]Therefore, the management analysis of the four dimensions of the Balanced Scorecard can effectively help e-commerce companies to make up for their own shortcomings, and pay attention to customers and employees while paying attention to financial indicators.[2]

## **Alibaba Group Performance Management Based on Balanced Score Card**

### **The Specific Application of the Balanced Scorecard in the Alibaba Group**

The balanced scorecard management model was developed by Robert Kaplan, a professor at Harvard University, and David Norton. Since the theory was introduced in 1992, companies around the world have used this management model, but the using process in China developed slower compared with other country as well as the using area is limited. [6]A survey by Balanced Scorecard Collaborative

Pty Ltd in 2003 showed that 73% of companies surveyed around the world are using or planning to implement a balanced scorecard in the near future; 21% of companies are waiting to use the future of balanced scorecard; only 6% of companies do not plan to implement a balanced scorecard. [1]

The main framework of Alibaba Group's strategic map consists of four levels: finance, customer, internal operations, learning and growth. As a highly Internet-dependent enterprise, the core value and competitiveness of an enterprise depend not only on the number of tangible assets, but also on human capital. Intangible assets such as corporate culture and internal operational efficiency have also exerted tremendous influence. [7]

**Financial Indicator.** The main goal of this level is to meet the expectations of investors and to maximize corporate value and shareholder profits. When Alibaba Group went public in 2014, it said that in the fiscal year of 2020, GMV hopes to achieve the goal of 1 trillion US dollars. For the capital market, the rapid growth of e-commerce platform enterprises is far more important than the short-term profits. The most useful strategy that implemented to achieve this goal is the 11.11 Global Carnival. Since the launch of the 11.11 strategy in 2009, this strategy has greatly accelerated the completion of its financial goals. Figure 1 reveals the total amount of double 11 transactions from 2013 to 2018, and it can be seen from the chart trend that the total transaction volume of Double 11 has increased rapidly in the past six years. Compared with 2014, the double 11 turnover in 2018 increased by 274% to 213.5 billion yuan, and the total income of the group increased by 348% to 117.278 billion yuan. Through a comparative analysis of the data, it can be concluded that the strategy pursued by Alibaba Group to achieve financial goals is successful.

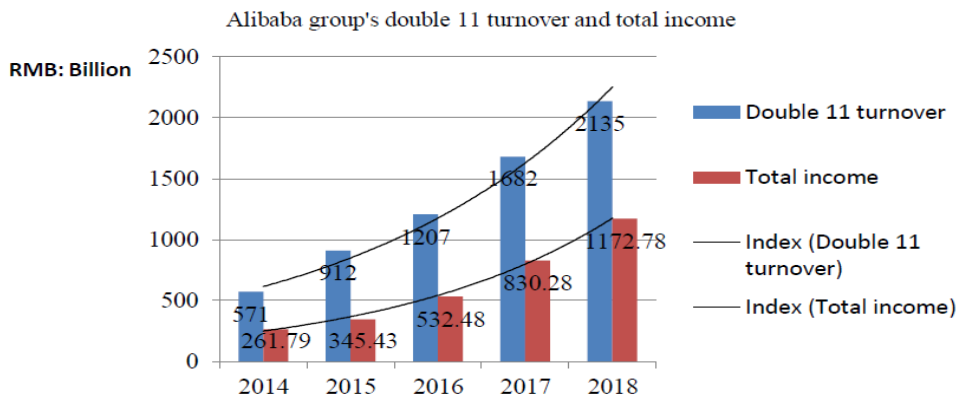


Figure 1. Alibaba group's double 11 turnover and total income

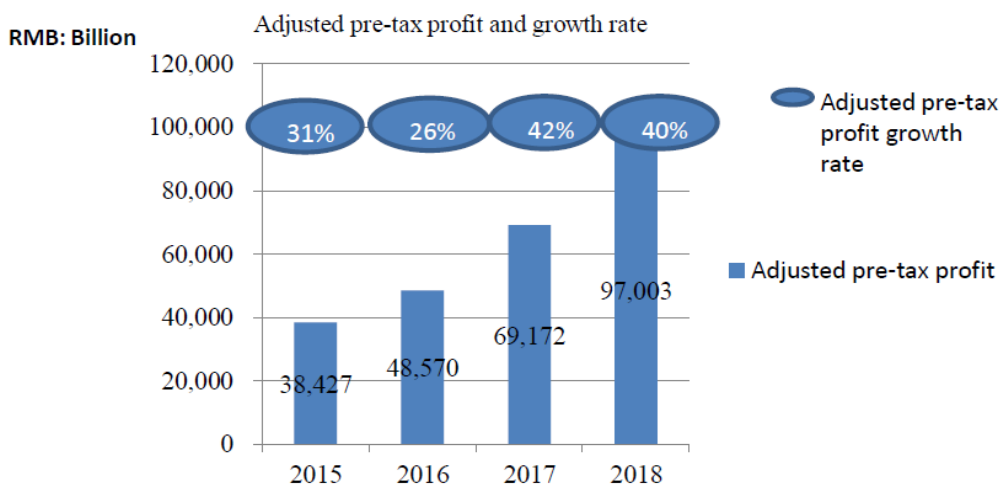


Figure 2. Alibaba group's adjusted pre-tax profit and growth rate

In addition, Figure 2 compares Alibaba Group's adjusted pre-tax profit and growth rate to find that since 2015 the Group's adjusted pre-tax profit growth rate is increasing year by year, from 31% in 2015 to 40% in 2018, which is a significant breakthrough. The current ratio is used to measure the

ability of a company to pay off debts. From the data in Table 1, it can be concluded that although the company's current ratio has decreased slightly due to the increase in corporate current liabilities, it is still at the standard value of 2, so Alibaba Group still has strong solvency. To sum up, the financial dimension of Alibaba Group is a successful demonstration.

Table 1. Alibaba Group's current assets, current liabilities, and current ratio statist Unit of measure: Yuan

Alibaba Group's current assets, current liabilities, and current ratio		(RMB: Billion)		
	2015	2016	2017	2018
Current Assets	142,109	134,035	181,864	256,855
Current Liabilities	39,672	52,039	93,564	135,810
Current Ratio	3.58	2.58	1.94	1.89

**Customer Indicator.** This level reflects the ability of companies to provide customers with satisfactory goods and services. As a direct source of company income, customers not only affect the company's survival but also limit the company's development, the customer level is the most important of the four dimensions of the balanced scorecard. [3]

**Customer relationship.** At the beginning of the establishment, Alibaba Group adhered to the values of customer first and teamwork. First, we will maintain a win-win strategic partnership with retailers, other companies, and third-party service providers. This will help reduce the cost of goods sold, expand sales channels, and move closer to the long-term strategic goals of globalization. Secondly, forming strategic alliances with enterprise investors and managers is conducive to resource integration and reducing the impact of information asymmetry on business decision-making, thereby improving business efficiency and reducing operating costs. The third is to win the trust and support of customers through high-quality service and convenient shopping experience. Products and services.

**Brand image.** The image is conducive to enhancing the credibility of the brand and enhancing the customer's respect for the company's products. Figure 3 reflects the market share of the online sales platform in the first half of 2018. According to the statistics of Ai Media Consulting, in the first half of 2018, Alibaba Group's subsidiary Tmall occupied 52.5% of the online retail platform market share, which has significant advantages. Market share is an important indicator of customer dimension measurement, which can reflect the position of a company in the market. Generally, larger market share means obvious superiority. Therefore, the market share indicator confirms the advantages of Alibaba Group in the customer dimension and the effectiveness of its current policy.

Market share of China's B2C online retail platform market in the first half of 2018

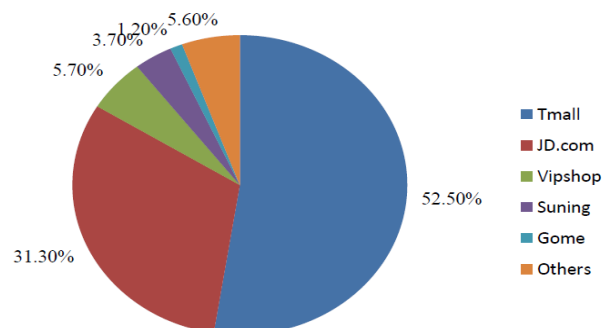


Figure 3. Market share of China's B2C online retail platform market in the first half of 2018

**Internal Operational Dimension.** This level reflects the internal business processes that companies should take in order to achieve the desired financial goals, enhance customer satisfaction, and achieve sustainable innovation. For e-commerce enterprises, the performance evaluation at the internal process level can be mainly divided into two aspects. First, the ability to measure enterprise e-commerce technology, that is, the convenience of website operation, the diversity and security of

payment methods, and the timely delivery system. Alibaba Group's nearly 30,000 technical engineers ensured the smooth operation of the website; the new robotic intelligent warehouse of the Group's Rookie Network Technology Co., Ltd. shortened the delivery time of the goods; the Group agreed to acquire a 33% stake in Ant Financial, so that consumers and merchants on the Group's platform will have better payment and financial services. The second is to measure whether the efficiency of enterprise e-commerce can meet and exceed the needs of customers, that is, the variety of product categories and the adequacy of commodity inventory. According to data from the 2018 Global 11 Carnival, more than 180,000 brands worldwide participate in Tmall Double 11, and the deal covers 230 countries and regions around the world.

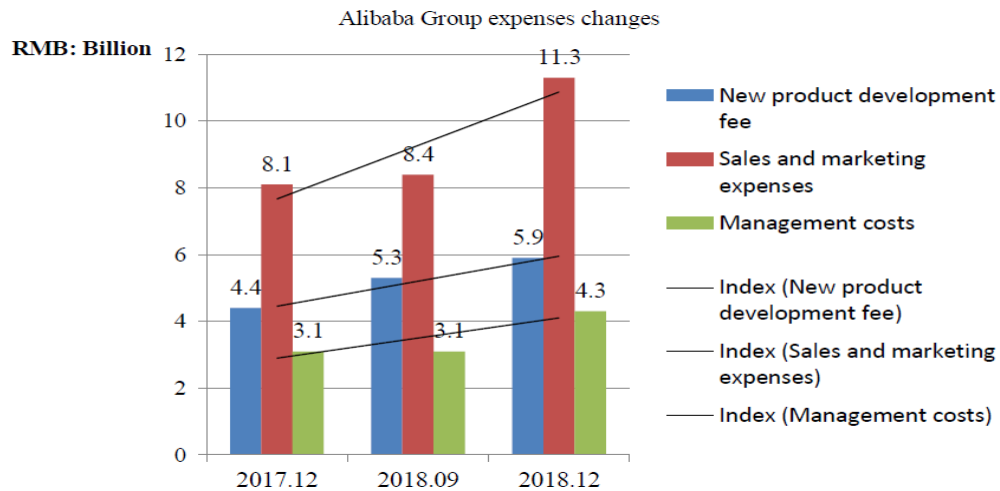


Figure 4. Alibaba group expenses changes

The company's operating cost is a common indicator for evaluating the internal operation of the company. It can be seen from the analysis in Figure 4. Alibaba Group has rapidly increased its market share and continuously introduced new products while appropriately controlling internal expenses. It has remained at around RMB 4 million per year. Compared with the same type of enterprises, the advantages are significant. Although the various expenses are growing, the increase is small, and compared with the annual net profit of the company, the proportion of various expenses is very weak. Therefore, it can be proved that Alibaba Group has a significant effect on the application of the internal operation dimension of the Balanced Scorecard.

**Learning and Growth Dimension.** This level reflects how companies develop strategies and recruit talent to achieve success and continuous improvement. E-commerce companies need to pay close attention to the dynamics of the market, and constantly learn from each other's strengths, only in this way can companies survive in the fierce market competition. In addition, e-commerce enterprises as a kind of high-tech enterprises, the recruitment and training of talents determine the company's development pattern. The balanced scorecard theory believes that an excellent talent team, a united and dedicated corporate culture, and constantly improving the quality of employees are the basis for supporting the company's strategic implementation. The Alibaba Group recognized the importance of its employees at the beginning of its creation, so its employee benefits are highly praised in the industry. Alibaba Group's employee benefits can be divided into four main areas: First, economic security. In the early years, Alibaba proposed to the employees a total of 3 billion yuan of "ihome" interest-free home loans, and also set aside 500 million yuan for their children's education and price subsidies. Second, life support, including food and beverage, free gym, maternity lounge, etc.

**Alibaba Group Balanced Scorecard Experience and Deficiencies**

In summary, we can conclude that Alibaba Group has excellent understanding and application of the dimensions of the Balanced Scorecard. The most commendable is the financial dimension and the customer dimension. Most of the policies and strategies launched by the company for the financial and customer dimensions are effective, which have helped Alibaba Group to lay the foundation of China's largest network company. But Alibaba Group still needs to improve in the learning and

growth dimension. Although Alibaba Group's values include teamwork and actively explore relevant talents, it is reported that Alibaba Group's employees remain highly mobile. In 2013, Hunting Network exposed a "Map of Jobs of Well-known Internet Enterprises", in which data shows that in the past five years, the total number of employees of Alibaba Group's mid-to-high-end Internet companies with an annual salary of more than 100,000 yuan has reached 1980.

Although the corporate culture of Alibaba Group is better than other companies of the same type, it still faces the problem of brain drain, indicating that Alibaba Group should implement more strategies in the learning and growth dimension. After all, for Internet companies, the cost of tapping new talent is much higher than that of retaining current talent. Therefore, as a leader of Internet companies, how to build an "iron-blood force" is crucial for the future development of the company.

## **Conclusion**

With the popularization and rapid development of e-commerce enterprises, it is very important to build a reasonable and effective performance evaluation system for e-commerce enterprises. In China, the development of e-commerce companies is still limited by multiple factors, such as slow logistics, poor network security, low network service quality, and lack of relevant laws and regulations. Therefore, finding a performance management system that is most suitable for e-commerce companies in many performance management models has become a new topic. For e-commerce companies, the introduction of the balanced scorecard management model requires financial support, the cooperation of high-level employees, the recognition of corporate management, and the support of strong technology. In the introduction process, some small enterprises may face many obstacles, so the relevant specific research and targeted policies are very urgent. [9]

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