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THE BALANCED SCORECARD STUDY ON THE CORPORATE SOCIAL RESPONSIBILITY OF ELECTRONIC COMMERCE

— *From the Case of Taobao Alibaba*

Wang Hong

INTRODUCTION

Nowadays, with vigorous development of electronic commerce, the society is experiencing a business model revolution. Electronic commerce gradually changes people's lives and is accepted by more and more people. In the electronic commerce operation, corporate social responsibility (CSR) takes an important role. Alibaba, China's biggest B2B e-commerce group, follows the trend, embeds CSR into their business development mode, and promotes the better development of China's e-business.

THE CONNOTATIONS AND CHARACTERISTICS OF ELECTRONIC COMMERCE

Under the Internet environment, electronic commerce is a new economic model which perfectly combines the Internet information technology and traditional real economy. Electronic commerce emerged and developed rapidly in the

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recent 20 years. Up to now, there is not a unified definition, and the more typical ones are defined as follows.

In the European E-commerce Development Initiative, the European parliament defined that “Electronic commerce means business activities conducted through electronic method.” In its “Global E-commerce Outline,” the US government generally pointed out that “E-commerce refers to the various business activities through the Internet, including advertising, trade, payment, service, and other activities; the global electronic commerce will be involved throughout the world.” From the perspective of process, China electronic commerce research expert Wang Keze defined that on the basis of computer and communication network, electronic commerce use electronic tools to implement business exchange and the whole process of administrative operation (Zhang, 2013).

To summarize, electronic commerce is the modern business activities such as enterprise management and commercial trade through the use of computer network and modern communication tools. The electronic commerce connotation includes not only the general business activities but also the enterprise internal management activities.

As one of commodity circulation patterns and channels, e-commerce has changed the way consumers purchase. Now the trend of modern society is that more and more ordinary consumers (especially the new generation of consumers), more concerned about the consumer prices, more attention at the convenience of buying process, and more focus on the consuming content (Jiang, 2013).

Electronic commerce is more accord with the requirement of times development, because it has the following several features: The first one is convenience. The user can finish shopping without the restriction of time and space. The second one is real-time. Users will be able to trade online anytime and anywhere. The third one is personalization. Now people pursue fashion, and they pay more attention to personality, the environment of shopping. Online shopping can realize more personalized shopping process. The fourth one is information transparency. Through the online price comparison tools and commodity price comparison website, the user can buy fine goods at cheap prices. The world will become very small on the net; a business can face global consumers, and a consumer can conduct shopping around the world. With the more rapid circulation and cheap price, the electronic commerce can reduce commodity circulation of the intermediate links, save a lot of expenditure, thus greatly reduce the circulation of commodities and transaction cost, and thus will have a broader development prospect.

THE THEORY AND PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY

Carroll (1991) made a significant contribution to corporate social responsibility (CSR) research and defined CSR into four aspects: production, economic

responsibility to make profit and satisfy the consumer demand, legal responsibility to fulfill its economic responsibility within the bounds, ethical responsibility to comply with social norms and values, and voluntary responsibility with a strong will and beneficent heart. Therefore, CSR is endowed with definite content. The famous management scholar Robbins (1998) thought that CSR seeks for the social beneficial long-term goal and exceeds the legal and economic requirements; Coontz (1998) concluded that the CSR seriously considered about the social consequences of actions.

In the decades of development, the concept change of CSR mainly reflected the object and scope and followed the development tendency from being less to more and narrow to wide (Liu, 2013). The emergence of stakeholder theory makes us treat CSR problems from a more comprehensive and objective perspective. Accordingly, CSR research enters into a brand new stage of development.

The stakeholders refer to all individuals and groups that can affect organizational goals or be affected by the organization goal realization process. Freeman (1984), Frederick (1988), Grant et al. (1991), Clarkson (1995), Wheeler (1998) greatly classified the concept of stakeholders and deepened people's understanding of stakeholders characteristics; Mitchill et al. (1997), Kunt and Svein (2001), and Chen Honghui and Jia Shenghua (2003) strongly promoted the development of the empirical research on stakeholders.

"2013 Corporate Social Responsibility Blue Book" pointed out that the overall state-owned enterprise were at the chaser stage; yet, there were a quarter of the state-owned enterprises and top 100 private enterprises and foreign enterprises 100 strong were in the bystanders' stage. Therefore, China needs to improve the implementation of CSR.

This chapter is going to explore Alibaba's CSR from the perspective of Balanced Scorecard and analyze the business model comparing with others. It aims to strengthen the practice of CSR in China and provide reference for the development strategy of small and medium-sized enterprises.

ALIBABA'S STATUS AND CSR

Alibaba was founded in 1999 by Jack Ma, in Hangzhou, China. Its personal online trading market platform Taobao was established in May 2003, and the pay treasure company was set up in October 2004. With the headquarter in Hong Kong, China's head in Hangzhou, overseas branches in US silicon valley and London, Alibaba has 3 joint ventures and more than 40 sales centers in China. Engaged in the electronic commerce between business enterprises, it gradually developed individual oriented B2C/C2C e-commerce, third-party payment tool, a leading platform for the local community as well as the enterprise application software and Ali mother. With the Internet as a network advertising platform, together with equity transfer acquisition of yahoo China, Alibaba became the large Internet company with seven subsidiaries. In 2008,

Alibaba integrated Chinese Yahoo and Public Praise Net into Yahoo Word-of-Mouth Company. Then, it started the great strategy of Taobao. Taobao and Ali mother combined together for development. So far, Alibaba made five subsidiaries out of seven. In 2014, Alibaba successfully came into the market of New York Stock Exchange. Its stock value soared \$231.439 billion beyond Facebook and became the second big Internet company, next to Google.¹

As the founder of Alibaba, Ma Yun said, “An enterprise should also have the three representatives: the first one represents the interests of the customer, the second one represents the interests of the employees, the third one represents the shareholders’ interests. First, the customers, then, the employees, and finally, the shareholders. The order can’t be reversed” (Wang, 2010). Only when the customers satisfied, employees pleased, and shareholders benefited, the can enterprise achieve higher yields.

Alibaba engaged in creating value for the society. It has been consistently holding the notion that “CSR should be born within the business model” since 10 years ago. It strived for the ever improving social responsibility platform and created more convenience for the idea “everyone can be happy to fulfill social responsibility.” Alibaba’s success not only reflected in terms of economic growth but also in the contribution to the stakeholders, such as customers, employees, partners, and society.

THEORETICAL FOUNDATION OF BALANCED SCORECARD

In 1992, Robert S. Kaplan, Professor of Harvard University, and David P. Norton, President of Renaissance Solutions Company, published “Balanced Scorecard – Performance-Driven Index” in the journal *Harvard Business Review*. It was the first time that they initiated the concept of “Balanced Scorecard.” In 1996, they published two books “Balanced Scorecard: A Revolutionary Evaluation and Management System” and “Strategic-centered Organization.” The books systematically explained the essential principles of Balanced Scorecard, pointed out the problems of organization, and provided solutions. Balanced Scorecard was regarded as “the most influential strategic management tool over the past 75 years.”

From the four aspects of finance, customer, internal operation, learning, and growing (see Fig. 1), Balanced Scorecard divides the organization strategy into a kind of measurable index and target and becomes a new performance management system. Thus, it ensures effective performance of business strategy. In every aspect, the essential contents are as follows.

On the financial level, the performance index can show the business strategy and execution concerning the contribution to improve the business profit. Financial target usually concerns the profit capability, and the measurable

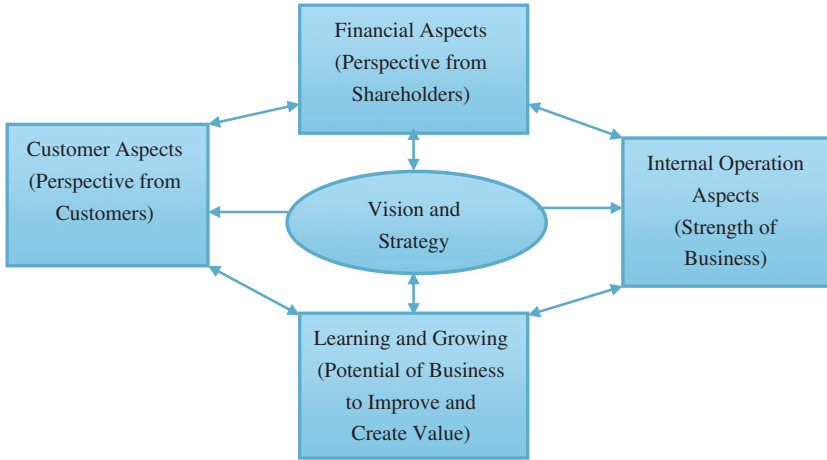


Fig. 1. Components of Balanced Scorecard.

indexes are the operation income, capital reward rate, and economic added value, or possibly the fast increase of sales amount, or the creation of cash flow.

On the customer level, the management establishes the competitive customers and markets, and the measurable indexes oriented toward these targeted customers and markets. Usually, these indexes refer to the customer satisfaction level, customer retention rate, customer acquisition, customer profitability, and the target market share. From the customer level, the business management can clarify the customer and market strategy, from which they can create good financial reward.

On the internal operation level, managers will confirm the key internal process that the organization is good at. The process will help the organization provide value, initiate and attract the customers in the targeted market segment, and satisfy the shareholders who have high expectations for financial rewards.

On the learning and growing level, the basic framework is created for the business long-term development and improvement. This is the key element for the business future success. To achieve the strategy, the business must invest for the reconstruction of staff technology, organization procedure, and clear list of daily work. The driven elements are the staff satisfaction level, staff retention rate, staff training and technology.

CSR EVALUATION SYSTEM BASED ON BALANCED SCORECARD

As the tool of business performance evaluation, Balanced Scorecard has been applied to various companies and industries. According to Kaplan and Norton

(2004), American Chemical Bank increased its 1998 profit 20 times over 1993 after the implementation of Balanced Scorecard. Canada ATT Company lost \$300 million in 1995, while its customer base doubled in 1998, after the implementation of Balanced Scorecard. In 2000, Siemens ICM received 93% more orders than the previous year. In 2001, its rank record rose from No. 7 to No. 2, and its operation cost reduced 50%, after the implementation of Balanced Scorecard. In the framework of Balanced Scorecard, business evaluation is considered from stakeholders' perspective. The framework can also be implied into CSR evaluation, which values the relationship between business and all stakeholders. Thus, CSR and business development are combined together.

Based on the successful Balanced Scorecard practice of MetLife Bank, Pioneer Petroleum, Kenyon Store, Skandia, and American National Insurance Company, the following index system is sorted out (see Table 1), with the aim to collect the related data of Alibaba's CSR performance.

Table 1. Corporate Social Responsibility Index System.

Level	Target Value
Finance	F1: relative to the competitor's revenue
	F2: relative to the competitor's profit
	F3: relative to the planned cost reduction and new market growth
	F4: existed market growth rate
	F5: return on capital
	F6: revenue growth
	F7: cost saving
Customer	C1: customer satisfaction investigation
	C2: market share and customer retention
	C3: service error rate
	C4: time to meet customer's requirement
Internal operation	I1: increase of staff numbers
	I2: understanding of the customer
	I3: launch of innovative product
	I4: reduce operating problems
	I5: the reaction speed of service
	I6: high quality product
	I7: good employer leading fashion
	I8: pleasant shopping experience
	I9: employee empowerment
	I10: community and environment index

Table 1. (Continued)

Level	Target Value
Learning and growing	L1: employee productivity, staff development, and personal growth L2: strategic information technology availability L3: set the strategic target L4: build skills profile L5: evaluation of existing employees L6: prediction of future demand L7: qualified rate of strategic target

QUESTIONNAIRE DESIGNATION AND DATA COLLECTION

According to the above CSR index system, the questionnaire investigation of Taobao is carried out. Initially, 24 from 30 sending-out-questionnaires are collected. The feedback is as follows: Some item orders are in the wrong sequences. The score is from low to high, and degree design is from shallow to deep. So, the order should be revised; the ordinary people cannot answer some professional questions, such as the annual new staff number, service training, and cost saving. So the in-site investigation within Hangzhou Alibaba Group is the next step; some interviewees suggest the “Double Eleven” activity, which created wide influence by Taobao. So, it is added to the designation to make further research; some questions can be divided into several small questions to answer, and some sub-questions are designed.

Based on the above revision, the final questionnaire comes into being, with the additional questions designed for the Taobao staff. The effective 96 questionnaires are collected from the 130 original sending-out-questionnaires. Among these 96 questionnaires, the component structure is as follows:

Sex

Male: 39

Female: 57

Age

Under 18 years: 1

19–25 years: 43

26–35 years: 21

36–45 years: 12

Above 46: 8

Profession

Taobao staff: 43

Non-Taobao staff: 53

Each option of the questionnaire has five choices. Each choice is arranged from 1 score to 5 scores. The higher score indicates the better performance in the corresponding aspect. The average score is calculated respectively among these collected 96 questionnaires.

INVESTIGATION RESULT ANALYSIS

The investigation result is analyzed in [Table 2](#).

Table 2. Questionnaire Investigation Analysis.

Item	Content	Average Score	Result Analysis
1	The history that you do shopping on the Taobao website is _____. Under 1 year 1() 2() 3() 4() 5() more than 10 years.	3.70	Most people have more than 3 years' shopping experience on the Taobao website. It indicates that Taobao website has become an important shopping platform of people's daily life.
2	Comparatively you spend ____ on Taobao shopping than other websites. Much less 1() 2() 3() 4() 5() much more.	4.21	More than 40% shopping were done on the Taobao website rather than other websites. It indicates that there is higher business revenue in Taobao website than others.
3/F3	You will buy more things on Taobao website. Absolutely not 1() 2() 3() 4() 5() definitely yes.	3.09	Most people are willing to buy more things on Taobao website. It indicates that Taobao website will have good new market growth.
4/F4	You often recommend people around something from Taobao. Never 1() 2() 3() 4() 5() Often.	3.16	Most people often recommend people around some product from Taobao. It indicates the market is increasing on Taobao website.
5	Every month you spend ____ on Taobao website. Within 1,000 yuan 1() 2() 3() 4() 5() more than 10,000 yuan.	2.55	Among the respondents, the average monthly expenditure on Taobao website is more than 2,000 yuan. It indicates the optimistic income of Taobao business revenue.
6/F6	The annual revenue growth on Taobao is _____. No growth 1() 2() 3() 4() 5() huge growth.	4.19	The respondents shown Taobao had good annual revenue growth.

Table 2. (Continued)

Item	Content	Average Score	Result Analysis
7/F7	Taobao ____ engages in cost saving. Never 1() 2() 3() 4() 5() always.	4.21	Most people think Taobao engages in cost saving.
8/C1	Currently Taobao has ____ kinds of commodities. Incomplete 1() 2() 3() 4() 5() all.	4.28	More than 40% respondents think Taobao website has a satisfactory variety of goods. It indicates customers' satisfaction with Taobao.
9/C1	To what extent Taobao product can satisfy your need? Never 1() 2() 3() 4() 5() definitely.	4.20	Most respondents think Taobao's product can meet their requirement. It indicates high customer satisfaction.
10/C2	Will you choose other websites besides Taobao to do shopping? Never 1() 2() 3() 4() 5() frequently.	3.11	Some respondents will also do shopping on other websites. It indicates Taobao's market share and customer retention is dynamic.
11/C3	Have you experienced any mistakes in your Taobao shopping? Never 1() 2() 3() 4() 5() frequently.	2.05	Some respondents experienced mistakes in Taobao shopping. It indicates Taobao has some service error rate.
12/C4	Will the Taobao staff provide prompt service when you are in shopping consult? Slowly 1() 2() 3() 4() 5() immediately.	3.93	Most respondents think Taobao staff can provide prompt service during shopping consult. It indicates Taobao website can satisfy the customers' time requirement.
13/I1	Do you have your own shop on the Taobao website? Never 1() 2() 3() 4() 5() always.	2.13	More than 40% respondents have their own shop on the Taobao website. It indicates Taobao provide good employment opportunities for people.
14/I2	Is the Taobao page design convenient for your operation? No, it is not convenient. 1() 2() 3() 4() 5() Yes, it is very convenient.	3.56	Most people think Taobao's page design is convenient for their operation. It indicates its humanity of page design.
15/I3	Are there many creative products on Taobao? No, hardly. 1() 2() 3() 4() 5() Yes, many.	2.20	More than 40% respondents think Taobao website has many creative products. It indicates Taobao's continue effort to promote creative products.
16/I4	Do you have increasing satisfaction with Taobao's service? No. 1() 2() 3() 4() 5() Yes.	3.69	More than 70% respondents have increasing satisfaction with Taobao's service.

Table 2. (Continued)

Item	Content	Average Score	Result Analysis
17/15	Will your complaint on Taobao be dealt with immediately? No. 1() 2() 3() 4() 5() Yes.	4.21	Most respondents think their complaint on Taobao will be dealt with immediately. It indicates the after sales service of Taobao website is quite good.
18/16	What do you think of the Taobao product quality? Poor 1() 2() 3() 4() 5() fine.	3.16	Respondents think Taobao product quality is not bad. It indicates Taobao website should pay close attention to product quality.
19/17	Is Taobao always leading fashion? Out of date 1() 2() 3() 4() 5() up to date.	3.10	Respondents think Taobao is leading fashion. It indicates "fashion" is the element in Taobao's consideration.
20/18	Do you accept any experience service in Taobao shopping? No, never. 1() 2() 3() 4() 5() Yes, always.	1.35	Only a few people have service experience in Taobao shopping. It indicates Taobao website lacks such service.
21	Have you ever received any unexpected presents in Taobao shopping? No, never. 1() 2() 3() 4() 5() Yes, always.	4.71	Most people received little presents in Taobao shopping.
22	What do you think of the shopping process of Taobao website? Very poor. 1() 2() 3() 4() 5() Very good.	4.15	Most people think the shopping process of Taobao website is very convenient.
23	Is Taobao website is your first choice when you want to shop? Definitely not. 1() 2() 3() 4() 5() Absolutely yes.	3.80	Most people will firstly choose Taobao website to do shopping.
24	On November 11th, how much did you spend on Taobao shopping? Within 1,000 yuan. 1() 2() 3() 4() 5() More than 10,000 yuan.	3.69	On November 11th, many respondents spent more than 4,000 yuan.
25	Will the price reduction activity on November 11 promote you to buy more things? Definitely not. 1() 2() 3() 4() 5() Absolutely yes.	4.22	Most respondents think the price reduction activity on November 11 promote them to buy more things.
26	Do Taobao website make some rules to unify management?	4.01	Most respondents think that Taobao website makes rules to unify

Table 2. (Continued)

Item	Content	Average Score	Result Analysis
	No. 1() 2() 3() 4() 5() Yes, and the rules are very specific.		management. It indicates Taobao's management is rule-based.
27/I9	Do Taobao website have staff empowerment? No. 1() 2() 3() 4() 5() Yes, completely.	3.16	Taobao website has partial staff empowerment. It indicates its staff empowerment is conditional.
28/I10	Do the Taotao courier consider the community and environment in dealing with package? No, never. 1() 2() 3() 4() 5() Yes, they take great consideration.	1.72	Most people think Taobao website fail to focus on the express package. It indicates Taobao website should pay enough attention to express package, and community and environment as well.
29/L1	How about Taobao staff productivity? They cannot meet the requirement. () 2() 3() 4() 5() Yes, their performance is beyond the plan.	4.21	Taobao staff productivity is above the plan. It indicates Taobao staff has high working initiative.
30/L2, L4	Do Taobao staff ever have professional training to improve skills? No, never. 1() 2() 3() 4() 5() Yes, frequently.	4.71	Taobao staff have professional training to improve skills. It indicated Taobao website pays high attention to staff growing.
31/L5	Are you satisfied with Taobao's current status as its staff? No, not satisfied. 1() 2() 3() 4() 5() Yes, very satisfied.	4.15	Most Taobao staff are satisfied with current status. It indicates they are in good working state.
32/L5	Does Taobao website staff always finds its own operation problems and try to correct? No, never. 1() 2() 3() 4() 5() Yes, always.	4.21	Taobao website staff often finds its own operational problems and try to correct. It indicates Taobao staff has high responsibility.
33/L5	Will Taobao staff respond immediately when customers have requirement? No, we will delay. 1() 2() 3() 4() 5() Yes, we will give feedback immediately.	4.15	On most occasions, Taobao staff will respond immediately to customer's requirement. It indicates Taobao staff is cautious in work.
34/L5	Do Taobao staff have performance evaluation? No, never. 1() 2() 3() 4() 5() Yes, frequently.	4.41	Taobao makes strict performance evaluation for staff. It indicates Taobao's staff assessment is very strict.

Table 2. (Continued)

Item	Content	Average Score	Result Analysis
35/L6	Are Taobao staff subject to more requirement in the future? No, we are. 1() 2() 3() 4() 5() Yes, we are.	4.15	Taobao has high expectation for staff prospect.
36/L5	Is the performance of Taobao conformed with the expected target? No, not conformed. 1() 2() 3() 4() 5() Yes, completely conformed.	4.21	Most respondents think the performance of Taobao can conform to the expected target. It indicates Taobao website is capable to meet the strategic target.

Table 3. The Revenue Growth Rate of Baidu, Tencent, and Alibaba^a
(unit: million RMB yuan).

	2009	2010	2011	2012	2013
Baidu	4,448	7,915	14,501	22,306	28,756
Revenue growth rate (%)		77.95	83.21	53.82	28.92
Tencent	12,440	19,646	28,496	43,894	55,620
Revenue growth rate (%)		57.93	45.05	54.04	26.71
Alibaba	4,985	8,596	14,774	25,664	41,233
Revenue growth rate (%)		72.46	71.86	73.71	60.67

Source: Yuan (2013).

^aAll the figures can also be found from the following websites: <http://news.zol.com.cn/431/4315760.html>; <http://news.iresearch.cn>; <http://alibabagroup.com>

Because some indexes (respectively, F1, F2, F5, and L3) in Table 2 cannot be obtained from first-hand material; the second-hand materials are as follows:

F1: relative to the competitor's revenue. Table 3 shows the comparative revenue among Alibaba and other competitors. From 2009 to 2012, Alibaba kept rising tendency in business revenue. Although in 2013, the revenue growth rate reduced to 60.67%, it was still higher than its competitors.

F2: relative to the competitor's profit. Table 4 shows the comparative profit among Alibaba and other competitors.

F5: return on capital. Table 5 shows Alibaba's return on capital from 2009 to 2012.

L3: set the strategic target. Taobao website has a clear strategic target. First, it will build the whole business ecological system through Internet. This system

Table 4. The Comparative Profit of Baidu, Tencent, and Alibaba^a (unit: million RMB yuan).

	2009	2010	2011	2012	2013
Baidu	1,485	3,525	6,639	10,456	10,530
Revenue growth rate (%)		137.37	88.34	57.49	0.71
Tencent	5,222	8,115	10,225	12,785	15,102
Revenue growth rate (%)		55.40	26.00	25.04	18.12
Alibaba	-137	278	2,142	3,369	18,553
Revenue growth rate (%)			670.08	57.28	450.69

Source: Yuan (2013).

^aAll the figures can also be found from the following websites: <http://news.zol.com.cn/431/4315760.html>; <http://news.iresearch.cn>; <http://alibabagroup.com>

Table 5. Alibaba's Return on Capital.^a

	2009	2010	2011	2012
Return on assets (%)	-0.34	0.53	4.71	5.49
Rate of return on common stockholders' equity (%)	-0.52	1.01	6.59	49.16

Source: Yuan (2013).

^aAll the figures can also be found from the following websites: <http://news.zol.com.cn/431/4315760.html>; <http://news.iresearch.cn>; <http://alibabagroup.com>

will cover the whole China, including Taiwan and Hong Kong area, through the off-line commercial platform. Then, it will set up the greatest e-business ecological system throughout the world and create a brand new retail business mode through the online and off-line channel.

To sum up, from the Balanced Scorecard perspective, the above analysis helps to show Taobao's CSR performance as follows.

First, Financial Level Performance

The investigation questionnaire results from item 1 to 7 show that more respondents prefer Taobao website to do shopping. Comparatively, more shopping are done on Taobao website than others. Most respondents are more willing to recommend people around some product from Taobao. It indicates that currently the growth rate of Taobao market is higher; capital return is higher; it maintains cost saving; keeps revenue growing. So, it has higher profit than other competitors.

Second, Customer Level Performance

The investigation questionnaire results from item 8 to 12 show that customers satisfaction level of Taobao is generally high. More respondents think the current Taobao product can meet their requirement. The error rate of Taobao is lower. When error occurs, the feedback will be provided immediately.

Third, Internal Operation Level Performance

The investigation questionnaire results from item 13 to 25 show that Taobao understands customers very well. For example, the page design is convenient for operation; it has many innovative products; most respondents often receive some gifts from Taobao; the whole shopping process of Taobao is desirable for most respondents. So, increasing respondents regard Taobao as their first choice to do shopping. On the other hand, most respondents do not accept its experience service, and the majority of them never have the service. Some off-line experience services of Tao Bao trial implementation are not very effective, due to various problems. So, Taobao website is responsible to develop better creative experience service.

Fourth, Learning and Growing level Performance

The investigation questionnaire results from item 26 to 36 show that Taobao website makes rules to unify management. The staff are empowered, and new comers receive professional training so that the productivity is ensured. They often actively identify problems and try to correct them. The customers requirement can meet prompt feedback. The company makes evaluation of the staff and provides them good welfare. There are dining room, cinema, gymnasium, and reading corner within Alibaba campus. But the problem is the courier package of Taobao. Taobao courier packages management fail to consider the environment. Many customers will throw away the rubbish after they dismantle the courier. So, Taobao website should make some solutions. For example, set up courier collection points in the future and delivery package recycling places near the destination area. Thus, it will protect the environment and promote recycling of courier package.

Generally speaking, Taobao website achieved good performance in the aspects of finance, customer, internal operation, and learning and growing. With the huge influence of “Double Eleven” promotion activity, more and more people are willing to take Taobao website as the platform to create career. Alibaba Group takes the interests of customer, shareholders, staff, and logistics as its social responsibility. It will pay more attention to the weakness of experience service and courier package.

THE COMPARISON OF TAobao AND OTHER E-COMMERCE WEBSITES

Founded in 1999, Alibaba is China's largest trading B2B online trade market platform among enterprises. With the rapid development of Alibaba, aiming at its core business, Taobao was established in May 2003, trading between individual and individual C2C e-commerce platform. To a certain extent, the establishment of Taobao is the product of Alibaba's successful development, especially in C2C fierce competition. In 2003, e-commerce giant eBay, which occupies 79% of China's market share, has a good brand advantage and user foundation. In that year, Alibaba spent \$100 million on Taobao. With the banner of "free" 3 years, it stimulated a large number of domestic individual users to register Taobao, so Taobao's popularity soared. Iresearch reports showed that in 2004 China's online auction market scale achieved 217.8% growth, and the annual turnover rose from 1.07 billion yuan in 2003 to 3.4 billion yuan in 2004.² Under the blockade of competitors, Taobao achieved breakthrough growth. This is mainly because China's small and medium-sized industrial clusters play a decisive role to the development of Taobao. Announced in 2005, Taobao's transaction was more than 8.9 billion yuan, it continued to be freely used for 3 years. Thus, it surpassed eBay and began to keep the competitors far behind. In 2006, Taobao become the largest shopping website in Asia. In 2007, it became the largest network retail business circle in Asia.³

Taobao, eBay, Jingdong, Dangdang, and Amazon are all e-business websites. How competitive is Taobao website among its peers?

eBay, the largest C2C e-commerce trading platform in America, was established in September 1995. It created the online auction of the C2C e-commerce basic business model. In China, established in August 1999, eBay was the earliest C2C e-commerce trading platform. But in 2010, only 0.5% of web shopping people chose eBay.⁴

In 1998, Jingdong company was established by Liu Qiangdong. It was the largest 3C online shopping professional platform in China B2C market. Jingdong mall has registered users, vendors, online sales of home appliances, digital communications, computer, household department, clothing accessories, mother-child-commodity, books and food throughout the country. Its profit comes from the price difference as the traditional model.

Dangdang website is the world's largest comprehensive Chinese online shopping mall. It was co-invested by domestic famous publisher Cowen Company, American Tiger Fund, IDG Group in the United States, Luxembourg and Cambridge Group, and Asian Joint Investment Venture. As China's largest online bookstores, Dangdang has complete book categories, a rich variety of books, appropriate price, and strong ability of logistics distribution.

Amazon is the largest online e-commerce company. Based in Seattle of Washington, Amazon and other vendors provide millions of unique new,

refurbished, and used items. Amazon has high quality comprehensive bibliographic data and convenient book retrieval system.

From the perspective of the Balanced Scorecard, Taobao, eBay, Jingdong, Dangdang, and Amazon's social responsibility performance is as follows.

First, Financial Level Performance

It can be seen from the above data (Table 6), Taobao's revenue in 2013 was far ahead of other websites. The reason can be explored from the different profit pattern of each website.

TAOBAO WEBSITE'S PROFIT MODEL

As Fig. 2 shows, Taobao Website's profit model is: Alibaba's investment→build a network transaction platform→attract members for free participation→increase online member flow to attract online advertisement→set up Pay Treasure to solve trade barriers→obtain the time and space of huge capital stock→further development of logistics industry→make profit→go to the next cycle.

Its income comes from advertisement income, marginal benefit of capital occupation, logistics fees, and trade commission. The advertising audience are the members.

EBAY WEBSITE'S PROFIT MODEL

eBay investment→set up the network transaction platform→attract members to join and collect dues→increase online member flow to attract online advertisement→make profit→go to the next cycle (see Fig. 3).

Its income comes from dues, advertising fees, and trade commission and the advertising audience are the registered members.

Table 6. Taobao and Other Websites' Revenue in 2013.

Website	Revenue (2013)
Taobao	RMB 1.101 trillion yuan (US\$177.5 billion)
eBay	US\$76.5 billion
Jingdong mall	Break through 100 billion yuan
Dangdang	6.325 billion yuan
Amazon	US\$25.59 billion

Source: aobao.com; seo.chinaz.com/ebay.cn; jd.com; dangdang.com; and Amazon.cn

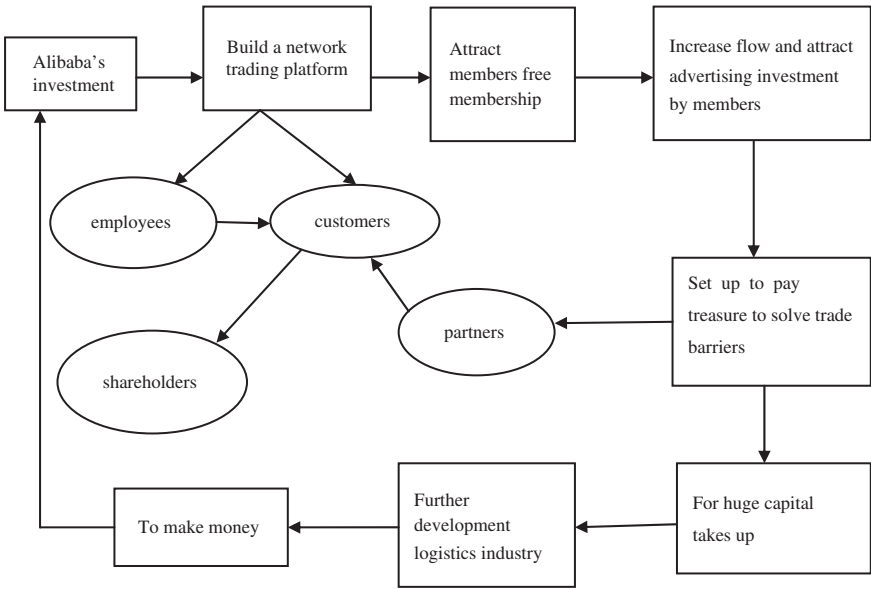


Fig. 2. Taobao Website's Profit Model. Source: alibabagroup.com/cn/about/business

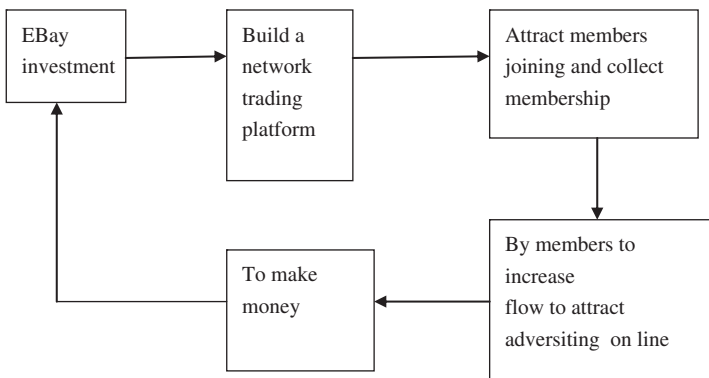


Fig. 3. eBay's Profit Model. Source: www.seo.chinaz.com/ebay.cn

JINGDONG MALL'S PROFIT MODEL

Fig. 4 shows the capital flow and product flow in Jingdong Mall's profit model. The capital flows from commodity producers to Jingdong Mall to borrowed Suning stores to consumers. The product flow moves the opposite direction.

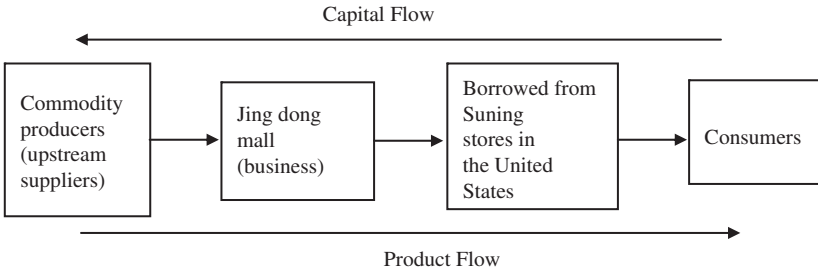


Fig. 4. Jingdong Mall's Profit Model. Source: jd.com/intro/about.aspx

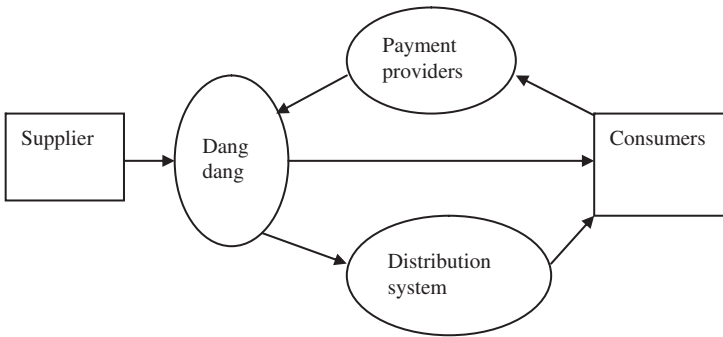


Fig. 5. Dangdang Profit Model. Source: www.dangdang.com

Its income comes from three sources: First, supply chain efficiency. It constantly improves inventory turnover and cash. Second, cost control. It keeps profit margins at around 5% and provides more value to the industrial chain of suppliers and end users. Third, it gains profit at a low price, even sacrifices margin to get a larger volume of sales. Moreover, it gains profit by manufacturer rebates and other subsidies. Jingdong mall supports online payment, cash on delivery, post office remittance. But, it doesn't cooperate with Alipay.

DANGDANG WEBSITE PROFIT MODEL

Fig. 5 shows the profit model. The profit mainly comes from three sources. First, direct sales. It pushes down prices of manufacturers (retailers) and earns price difference between the purchase price and sales price. Second, the virtual shop rents, product login fees, and transaction fees. Third, advertising. Now this part is growing very fast.

AMAZON'S PROFIT MODEL

Fig. 6 shows Amazon's profit model. Amazon's main revenue is made up of three parts: the media, electronics, and household goods and the "other" Amazon web services platform. According to the data, household good expansion is very obvious, the media business is growing, while "other" Amazon web services develop slowly.

From the above analysis, we found that Taobao has taken a similar pattern as free newspaper. There is no threshold for the members to join, so the convenience of online transactions for members is provided. Consequently, it is very easy to break through the difficulty in online click rate in eBay. Also, it is natural and easy to attract the attention of advertisers and investment by means of the huge network flow. In the absence of Taobao, the bottleneck of eBay membership is easy to break. However, it is unsustainable after Taobao was created. Even the eBay's members have shifted to join Taobao.

Payment Treasure is the associated network technology corporation of Alibaba, which was founded in December 2004. By using "the Escrow Transaction Model," the buyer put the payment into treasure account, and the Pay Treasure notified the seller to make delivery. After confirming the goods receipt, the buyer asked the Pay Treasure to pay for the seller. At this point, a network transaction was completed. Objectively, this brought a lot of trapped cash. Taobao can rely on the large deposit and credit system of Payment Treasure to carry out lending business. This is what eBay failed to do. At present, Pay Treasure is in the rising status of the whole Alibaba group. It kept 50% market share in 2010 and became the important strength in the spacious third-party payment market. Because both parties did not meet, there existed high uncertainty in the security of payment for the users. Comparatively, in the profit

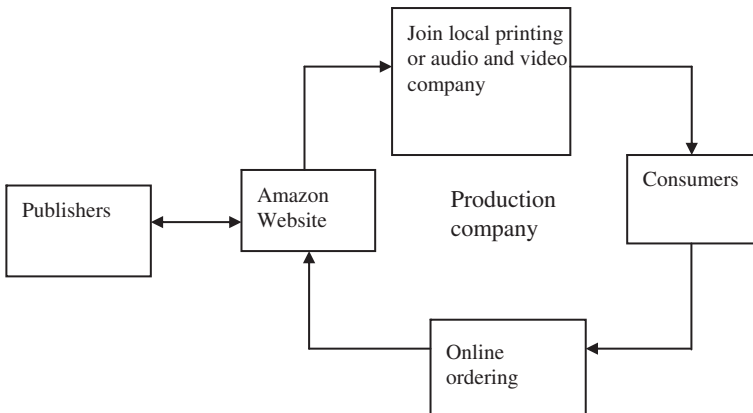


Fig. 6. Amazon's Profit Model. Source: Amazon.cn

model of eBay, Jingdong Mall, Dangdang, and Amazon, there is no such platform. Undoubtedly, the third-party platform provided the best payment mode for C2C website. This highly agreed with China's current business environment.

Second, Customer Level Performance

Taobao wins on its platform, relying on its large chain operations and vertical B2C mode for obtaining market. Taobao users per capita consumption was 2,300 yuan in 2012. Relying on its vast amounts of commodities, Taobao strengthens brand enterprise advantages. After the introduction of B2C, many clients have formed a powerful feeling of dependency. So, the customer satisfaction of Taobao is very high.

Compared with Taobao, eBay does not often communicate with customers. eBay provides users with the product of "eBay assistant," and Taobao provides "Taobao Wangwang." "eBay assistant" has the function to provide the seller a more convenient loading services, while "Taobao Wangwang" focuses on the timely communication platform. In addition, eBay didn't attach importance to establish a trust relationship with customers.

Jingdong Mall is more alone. In goods variety, inventory, and distribution, after-sale services will bear responsibility. Jingdong users per capita consumption was 2,020 yuan in 2012. Due to the fewer variety of goods on Jingdong than Taobao, and some interface operation and customer service communication difficulties, some customers prefer Taobao in pursuit of convenience.

Dangdang's business model is typical B2C. It aims at the 6 products customers for beauty and personal care products, household and personal care, maternal and child supplies, appliances, clothing and shoes bag leather. This will limit Dangdang market growth.

Amazon's profit comes mainly from the sale of books, audio, and video. In early 2012, the famous American business Fast Company magazine reported that the Amazon Kindle stored a lot of fake self-help books. They changed the works of other writers with a new name. When the "plagiarism" problem was publicly revealed for the first time, it lost a lot of customers.

From the above comparison, Taobao website has larger customers range with higher dependence. While other websites have less customers, and the stability is not high.

Third, Internal Operation Level Performance

Taobao website has its own shopping process and complete product variety. It provides various prices and sales order, when customers choose the similar

product. It has timely chat tools, which brings convenience for the customer to deal with problems in first time. It has unobstructed channel, makes constant innovation, and leads the fashion. It can supply goods rapidly and guarantee the interests of consumers.

eBay's internal organizational structure has a great influence on its business development. China's e-commerce market is growing faster. Due to some factors of cultural differences, the view of eBay's head does not necessarily suit for China's domestic situation. eBay neglects innovation, and there are some mistakes on its the promotion strategy. Without full consideration of the interests of customers, it cannot provide deeper service.

Compared with Taobao, Jingdong Mall has some deficiencies: (1) Some business is close to saturation and needs rapid expansion. (2) The variety of items is relatively little. (3) The localization is still the Jingdong Malls the most difficult problem in the domestic competition. Similar products have no price order, and the amount of sold product is not sorted out. (4) There is no timely chat tool. Customer cannot timely communicate with customer service, and their problems are difficult to reflect promptly.

Compared with Taobao, Dangdang lacks the following things: (1) Its background service can't keep up with the rapid development of the front desk, for example, the goods cannot issued on time, and different suppliers often bring some barriers to Dangdang. (2) The incomplete channel leads to waste of time in road goods. Although the sales volume double increased, profits are falling. (3) Its B2C mode cannot have satisfied consumers demand, while the C2C pattern of Taobao is more sustainable.

Compared with Taobao, Amazon has some deficiencies: (1) The number of customers and their ability to pay is lower. (2) Due to the increasing users online advertising spending, Amazon is facing greater pressure of competition. In addition to increasing sales expenses, Amazon takes a substantial price reduction strategy. This helps in increasing the sales volume but results in the decline of profit.

From the above comparison, Taobao website has more complete process and service. Other websites will have more or less problems in the supply chain.

Fourth, Learning and Growing Level Performance

Taobao is a typical C2C mode. Its operation mode is mainly adopted by online trading platform built by buyers and sellers. As a market founder, Taobao brings more and cheaper goods to shoppers through free or reducing the cost of their goods on network platform. In the future of big data era, Taobao will make full use of good resources and create more business value. This is mainly because Taobao holds vast amounts of transaction data, credit data, user behavior preference, and it can do many things at home and

abroad. Internally, Taobao will promote efficiency through products series, such as the analysis of the behavior of user preference, make its service become more efficient, and precise marketing. Externally, it can have cooperation with the partner, based on large data analysis of business intelligence software. In addition, Taobao can take advantage of the data to infiltrate other areas, especially the financial sector. Now, it has special Taobao Institute, engaging in skills training, and so on.

eBay will be committed to promoting the sustainable development of three core business—eBay online trading platform (Marketplaces), PayPal, and GSI. At the same time, eBay will focus on applying its leadership in the global mobile commerce and business technology innovation and create a new experience for consumers and retailers. In 2015, eBay's online trading platform revenue is expected to reach US\$10.5 billion to US\$11.5 billion, with 14% compound annual growth rate (in terms of median). In 2015, PayPal is expected to reach US\$9.5 billion to US\$10.5 billion in revenue, with the compound annual growth rate of 22% (in terms of median).⁵

At present, Jingdong uses the customer account system. In the future, membership will be established to ensure high security and cultivate customer loyalty. Jingdong Mall will build e-commerce experience store, combining with e-commerce sites dual mode. Some big cities will take full consideration of entity shop location to assist customers online shopping service. Also it will fully consider the establishment of the customer own condition, reduce costs on the one hand, provide convenience for the customer on the other. Jingdong's future goal is net income of more than US\$1 trillion, more than 600 thousand employees, with direct tax more than US\$70 billion and the indirect tax more than US\$500 billion.⁶ It will become China's largest private enterprise, the top 20 of the world's top 500 enterprise, international trade leader, and rules maker.

"Platform" and "department" is an important development strategy of Dangdang. It will accelerate comprehensive shopping malls development. Beside book, it will continue to pursue the core target category, maternal-child-supplies, and clothing will occupy a certain proportion of industry in category. The brand aims at the "Middle and High-end" and obtaining profit by 2015.

Amazon adheres to the customer-oriented notion. Through continuous innovation in products, technology, and promotion, it greatly improves the customer shopping experience. The e-reader Kindle occupies a certain market share. In the future, based on e-commerce, Amazon will continue to innovate, seek their own differences in each aspect, and provide perfect experience service for online customers to attract more customers.

To sum up, these major websites are striving for rapid growth, continuous improvement, and innovation. To keep competitive in the future development, Taobao is going to be better and stronger.

FURTHER THINKING

In the process of seeking the growth foundation, Alibaba continuously improves its business model and development strategy to maintain the sustainability. From focusing on customer needs, applying service to the e-commerce platform of the upstream and downstream enterprises and creating a platform which satisfies both the buyers and sellers; to caring for staff, advocating their welfare and creating the highest staff happiness; to constructing the new commercial civilization jointly promoted with partners, peers and government, Alibaba tries its best to reach the “Customer Value Maximization” target.

“Customer Value Maximization” includes four meanings: The first one is that customer includes consumers, shareholders, partners, employees, and society. The consumer is dominant; only when the consumer’s value is realized, the four other values can be done. The second is to determine the consumer and have insight of consumer’s real demand. The third is to continuously meet customer’s demand and provide services beyond the original value. The fourth means the customer not only refers to those who are outside of the company but also all staff who create value in the company. In the system, all those in the downstream are customers to the upstream. The work standard of upstream is to satisfy the downstream. Thus, Alibaba’s social responsibility practice extends from inside to outside step by step. This is the responsibility of the Alibaba group’s “ethic.”

Social responsibility is not the burden of enterprises. In the commercial model of every enterprise, a joint point between itself and social responsibility can be found. In the next decade, Alibaba will create service for 10 million small business on the e-commerce platform, create 100 million jobs throughout the world, and create a global consuming platform for 1 billion people. At the same time, it will care for environmental protection and continuously strive to protect the natural resources. With the constant integration of CSR, we can believe that the future of e-commerce will build a fairer, more transparent, more equal business ecological environment.

According to Professor Peter Shergold, chief executive of the Centre for Social Impact and former Secretary of the Department of Prime Minister and Cabinet, “it is increasingly accepted that social investment helps improve the attractiveness of business to its customers and employees” (Bryan, 2010 p. 275). Ma Yun developed this point in his performance. He concludes, “Corporate social responsibility should not be an empty concept, and should not just be limited to the charity, donations, but closely linked with the enterprise concept, staff mechanism, and business model. Many people think that doing business is to make a lot of money. But this is not the purpose of Alibaba. Let staff work, let the user get satisfactory service and let the society sense our existence is what Alibaba’s social responsibility means. As for the social return, it is the thing that naturally follows.” Just like Alibaba, which can effectively integrate

corporate social responsibility into business model, e-commerce will have a better future.

NOTES

1. The figure can be sourced from alibabagroup.com/cn/about/business
2. The information are sourced from these websites: <http://news.iresearch.cn>; <http://alibabagroup.com> and seo.chinaz.com/ebay.cn; jd.com
3. The information are sourced from these websites: <http://news.iresearch.cn>; <http://alibabagroup.com> and seo.chinaz.com/ebay.cn; jd.com
4. The information are sourced from these websites: <http://news.iresearch.cn>; <http://alibabagroup.com> and seo.chinaz.com/ebay.cn; jd.com
5. The information can be sourced from www.seo.chinaz.com/ebay.cn
6. The information can be sourced from jd.com/intro/about.aspx

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