The Internal Management Strategy of Chinese Internet Enterprises and Business Performance: A Study of Tencent Internet Enterprises in China

Guo Yufeng¹, Mohamad Idrakisyah²

¹ Faculty of Business Management, Ms. BA, City University, Petaling Jaya, Malaysia.
² City Graduate School, City University Malaysia, Malaysia.

Abstract: The objective of this research is to examine the relationship between the internal management strategy of Chinese internet enterprises and business performance. The research results in the fields of business models and innovations, internet business models and their innovation theories and practices, and business ethics are analyzed and discussed, while the internet development process of China is reviewed. Then, the existing problems are analyzed, and the concerned field and concepts in this study are clarified. Based on previous theoretical research and market research, the research methodology is designed, the research hypotheses are proposed, and the research models are constructed to perform quantitative and qualitative research. Next, the cases of Baidu, Alibaba and Tencent are engaged to conduct empirical analysis and verify the conclusions. The correlation analysis show that the impact on corporate financial performance is positive when social responsibility to shareholders, creditors, users, and government is undertaken, which is consistent with the original hypothesis. However, fulfilling social responsibility to employees and suppliers is significantly and negatively related to financial performance, which is inconsistent with the original hypothesis. Therefore, companies should take a long-term perspective and not just see short-term benefits at the expense of long-term social benefits. Companies pay attention to and carry out a series of social responsibility activities can establish stable emotional ties with the public, so that the company can gain the support and trust of many parties in society, and can enhance market competitiveness and bring good development opportunities, thus improving the viability of the company and increasing social and economic value for the company.

Keywords: Internal Management; Strategy; Business Performance

Introduction

In the era of the internet economy, the business landscape has undergone significant transformations, compelling internet enterprises, especially industry giants, to engage in mergers and acquisitions (M&A) to rapidly consolidate resources, expand their business scope, increase market presence, and strengthen their industry position. This surge in M&A activities aimed at capital expansion raises critical questions regarding the widespread occurrence of such strategic moves. Two primary factors drive this trend: the pursuit of exponential outcomes through strategic entity combinations during M&As and the initiation of beneficial alliances that yield substantial economies post-merger. This section delves into the financial synergies of M&As, particularly for internet companies, by analyzing the strategic intentions and resultant operational and financial synergies of the Tencent-China Music Group merger. It concludes with practical strategies and recommendations for achieving financial synergies through M&As, providing a framework for internet companies engaged in these activities. Moreover, it highlights the critical role of business model innovation in ensuring sustainable development in the competitive internet landscape, emphasizing the shift towards strategic business model competition as a key driver of corporate innovation. The focus of

How to Cite:
corporate innovation is shifting from solely technological and product development to include business models, as emphasized by Peter F. Drucker (2014).

Stakeholder theory was proposed in the 1960s-80s and then developed rapidly, which promoted the transformation of corporate management methods (Freeman et al., 2021). This rapid development is founded on its profound theoretical and practical background. With the progress of social productivity, the impact of material elements on corporate development has been weakened, while the impact of people on corporate development has been intensified. Stakeholders have an increasing impact on corporate innovation. By using the term "stakeholder," the idea that investors are the sole group to which management must be responsive was intended to be contested (Freeman et al., 2010). From the viewpoint of the many stakeholders, a business may be seen as a network of connections between parties with an interest in the operations that make it up (Freeman, 1984; Jones, 1995; Walsh, 2005). In addition to helping companies prosper in capitalist systems, managing stakeholder relationships effectively is also a moral undertaking since it raises issues of values, freedom of choice, and the potential for damages and benefits for several groups and individuals (Phillips, 2003).

The term "business model" first emerged in the 1990s, marking a pivotal moment in the world of commerce. Its significance has primarily revolved around the realm of Internet product innovation, encompassing various facets such as the conceptualization and essence of innovation, the cultivation of innovative thinking, and the development of innovative methodologies. Nonetheless, it's imperative to recognize that a business model doesn't exist in isolation; it's intrinsically intertwined with the fabric of business ethics, an aspect that has received relatively scant attention in research, especially in the context of evaluating business performance (Burkhart et al., 2011). Consequently, it becomes imperative to embark on a comprehensive analysis and investigation into the prevailing challenges within the landscape of business model innovation, leveraging real-world case studies as a foundation.

The concept of business ethics emerged during the 1970s and has since evolved in tandem with the ever-changing landscape of commerce. It is essentially a reflection of the societal values upheld by companies and organizations. In 1996, the United States government took a significant step by introducing pertinent regulations concerning business ethics, encapsulated in the "Statement on Business Ethics and Corresponding Actions." This document was subsequently integrated into the fabric of American business practices, marking a pivotal moment in the formalization of ethical standards within the corporate world (Sroka & Lorinczy, 2015). Over the past three decades, the field of business ethics has undergone a profound transformation, characterized by an expansion in scope, depth, and relevance. The concept of business ethics has transitioned from a nascent idea into a multifaceted, dynamic discipline that is intrinsically interwoven with the fabric of modern commerce. In the ensuing decades, business ethics has undergone a profound metamorphosis, both in terms of its conceptual underpinnings and practical implications. Nevertheless, within the context of China's evolving business landscape, marked by its gradual assimilation into the modern economy, there remains a conspicuous dearth of comprehensive theoretical analysis concerning modern business ethics.

The research on customer satisfaction started in the 1990s. Cutler (1967) pointed out that satisfaction is a psychological experience of people. The meaning of user satisfaction is actual psychological comparison between the value of the product or service and the user expectations when the user purchases a product or service. As an integral part of stakeholders, customers have a wide influence (Dubrovski, 2001). The rapid development of internet technology has made online applications essential in daily life and work. People increasingly rely on the internet for communication, payments, and appointments, creating a new lifestyle. The 2017 China Internet Development Report revealed that China's internet user base reached 740 million, with a 54% penetration rate. Mobile internet users, making up 95% of the total, have become predominant. However, the internet industry in China faces challenges, such as moral dilemmas, confusing or false information, and privacy concerns (Suvanmanee et al., 2020). E-commerce complaints, particularly regarding online shopping, topped China Quality Network's Consumer Report in 2016, with issues like product quality, refunds, logistics, and misleading promotions.

Strategic Management
1. Strategic Management Definition

Strategic management is a multifaceted discipline that revolves around the art and science of formulating, enacting, and evaluating a range of cross-functional decisions aimed at propelling organizations toward the achievement of their objectives. As depicted by the very name it bears, strategic management encompasses a constellation of focal points, with integrated management, marketing, finance/accounting, production/operation, research and development (R&D), and information systems standing at its core (David, 2016). By embracing these essential domains, strategic management aims to orchestrate a symphony
of organizational triumph. Moreover, corporate strategic management, as an intricate blend of both an art and a science, grapples with the intricacies of how to effectively devise, put into action, and appraise a company’s strategies, thereby ensuring the triumphant realization of its ambitions.

In business management education, such as Master of Business Administration (MBA) and Executive Master of Business Administration (EMBA) programs, corporate strategic management assumes a pivotal role. Its pivotal focus materializes through comprehensive engagement with the multifaceted challenges that permeate functional sectors such as marketing, technology, and finance, all intricately interwoven with a company’s operational framework. Moreover, the exploration of overarching roles and responsibilities of the enterprise, coupled with a comprehensive analysis of the opportunities and risks that befall it, constitutes the crux of corporate strategic management’s purview (Bindra et al., 2019). This discipline not only dissects the components of strategic decision-making but also holistically addresses the enterprise-wide panorama that unfolds within the ambit of a company’s journey towards its aspirations.

Throughout the trajectory of a company’s evolution, each phase is endowed with a unique narrative, accompanied by a distinctive set of trials that the organization must navigate. The challenges faced by an organization in its present juncture are often grounded in the historical context of its growth. A lapse in addressing these challenges during transitional phases could potentially lead to a regression to a prior stage or even catapult the organization into a recessionary slump, eventually culminating in the dire circumstance of bankruptcy (Belak, 2016). Amid the labyrinthine landscape of enterprise strategic management, the pivotal endeavor lies in deciphering the intricacies of an organization’s long-term sustainability and expansion within the contours of a fiercely competitive market environment.

Contemporary corporate leaders shoulder a profound responsibility in the pursuit of enterprise strategic management. This responsibility serves as the bedrock upon which the edifice of modern corporate management is constructed, wielding the decisive influence that determines the trajectory of a company’s success. Arranged in a hierarchical framework, the architecture of corporate strategic management encompasses three pivotal tiers: company strategy, business strategy, and functional strategy (Greve, 2021). With meticulous oversight at each echelon, this structural schema orchestrates the entire lifecycle of strategies, encompassing their inception, implementation, assessment, and regulation. This meticulous orchestration of strategies is the compass that guides an organization’s journey through the dynamic and intricate terrain of the business landscape.

2. Characteristics of Enterprise Strategic Management

Corporate strategic management is a way for businesses to maximise management and enhance economic advantages by using macro-level analysis, forecasting, control, and other techniques while making the most use of their material, financial, and people resources. business strategic management is the process of developing, choosing, overseeing, and putting into practise a business strategy up till its strategic objectives are met. Major concerns in an organization's long-term development are addressed through strategic management, such as company strategy, market expansion, product innovation, technological advancement, system reform, organisational structure reorganisation, finance, and so on. The general manager typically exercises direct influence over strategic management decision-making. The traits of corporate strategic management are as follows:

a) Integrity

This section discusses two key components of corporate strategic management. The first component focuses on the formulation and execution of a business strategy as a comprehensive process. It requires skilled management and involves careful planning and implementation across the organization. This approach emphasizes the importance of viewing the business as a unified entity, where every action and decision is interconnected, similar to how each note in a symphony contributes to the overall harmony. Strategic moves must be well-planned and executed for overall organizational synergy (Worden, 2003). The second component highlights the interconnected nature of different business areas. Strategic management should not be limited to a specific unit or department, but rather should encompass a broad perspective of the entire organization. Every part of the business, from marketing to finance and human resources, is interlinked, with each department’s success or failure impacting the whole organization. Thus, strategic management should be an overarching framework that integrates all aspects of the enterprise (Worden, 2003).

b) Long-term

Corporate strategic management is not merely an abstract concept; it’s a dynamic process that permeates every aspect of an organization. It involves a meticulous examination of the company’s internal strengths and weaknesses, an in-depth analysis of external opportunities and threats, and a rigorous assessment of the competitive landscape. Armed with this comprehensive understanding, companies can craft
strategies that exploit their strengths, mitigate their weaknesses, seize opportunities, and defend against threats. In essence, strategic management is akin to crafting a finely tuned symphony, where every instrument plays in harmony to create a melodious outcome (Helmold, 2021). Additionally, strategic management encourages continuous learning and adaptation. It acknowledges that no plan is perfect, and circumstances can change rapidly. Therefore, it emphasizes the importance of regular reviews and adjustments. Companies that embrace this philosophy are better equipped to stay ahead of the curve and remain relevant in an ever-evolving business landscape.

c) Authoritative

The process of crafting a corporate strategy is a multifaceted endeavor that demands meticulous planning and far-sighted vision. It serves as the linchpin for an organization's future, providing a roadmap that charts the course for growth and development. This strategic blueprint isn't merely a document; it is the fundamental compass that steers the trajectory of the entire enterprise. It encapsulates not only short-term objectives but also envisions the long-term aspirations that propel the organization forward, offering a cohesive framework to align various operational aspects (Hernandez-Espallardo & Arcas-Lario, 2003). Moreover, strategic empowerment involves risk management. Inherent in any business strategy are risks and uncertainties. Organizations must be prepared to identify, assess, and mitigate these risks. This requires a proactive approach to risk management and the ability to make informed decisions to protect the organization's interests.

d) Environmental Adaptability

The overarching goal of enterprise strategic management is a lofty aspiration that transcends the boundaries of mere corporate success. It is a multifaceted mission deeply intertwined with the intricate fabric of the broader social milieu, where an organization's path towards robust and sustainable development takes on profound significance. This journey is not a solitary one, but rather a collective endeavor that necessitates a profound understanding of the ever-evolving social dynamics that surround it. Strategic management that embraces adaptability also encourages a culture of innovation within the organization. It encourages employees at all levels to think creatively, propose novel solutions, and challenge existing paradigms. In an era where innovation is often the differentiator between success and obscurity, this internal dynamism can be a powerful asset (Zhi et al., 2018). With adaptability as their compass and foresight as their guide, businesses can navigate the complex terrain of the social ecosystem, harness its potential for growth, and contribute positively to the world in which they operate.

3. Process of Enterprise Strategic Management

Processes like strategy creation, strategy implementation, and strategic control are all part of enterprise strategic management. An organization's strategic stance can be identified, developed, implemented, or implemented via the organisational process of a strategy. Processes can indicate the sequence of steps to fully complete the formulation and execution of the strategy, as well as the activities, routines, and management systems to direct continuing strategic decisions (Frost, 2014). They can also specify the activities, routines, and management systems to lead ongoing strategic decisions. The strategic process also outlines how to preserve or modify the organizational's strategic stance in light of the shifting organisational environment and resources. Strategic change or strategic renewal refers to this constant recalibrating of organisational strategy and internal and external developments (Frost, 2014).

a) Strategic Formulation

The strategy formulation process comprises three essential components that play an important role in translating the overarching vision and purpose of an organization into tangible and achievable objectives. These integral components encompass strategy evaluation, strategy selection, and strategy application. By undertaking a comprehensive strategic analysis rooted in the organization's vision, purpose, and the dynamic external business landscape, the organizational orientation can be effectively determined. It is through this meticulous analysis that an organization gains valuable insights into its internal strengths and weaknesses while also gaining an understanding of the external opportunities and threats it faces (Keuning et al., 2019).

b) Strategy Implementation

The successful implementation of the enterprise's strategy hinges on the meticulous development of various professional plans, including but not limited to the production plan, operation plan, and budget. Each of these plans plays a pivotal role in guiding the organization toward achieving its intended strategic objectives. On one hand, the active engagement of both the organization and its employees holds paramount importance in this process, as their dedicated participation and cooperation directly influence the strategy's realization. Moreover, the effective execution of the strategy also relies on the seamless integration of these plans, ensuring that they align cohesively with the
overarching strategic goals. The organization's ability to harmonize these plans reflects its capacity to navigate potential challenges and capitalize on opportunities, ultimately propelling it towards the attainment of its specified strategic objectives. Thus, a synergy between comprehensive planning and enthusiastic involvement stands as the cornerstone of a triumphant strategy implementation process (Verweire, 2014).

c) Strategic Controlling

Strategic control is an indispensable tool in the arsenal of organizational managers. Its primary function is to evaluate the alignment of a company's strategy with external opportunities and constraints. Additionally, it serves as a gauge for monitoring the effectiveness of a firm's strategic progression, a point emphasized by Stehnei in 2017. To ensure the realization of strategic objectives, strategic control encompasses a multifaceted approach involving the assessment of strategy performance against anticipated goals, the identification of root causes for deviations, and the swift implementation of corrective measures. An exemplar approach that has consistently proven its efficiency in strategy execution and strategic control is target management.

4. Strategic Management Process

Goal-setting, analysis, strategy development, strategy execution, and strategic monitoring are all parts of the strategic management process (Courtney, 2018).

a) Target Setting

Strategic management is a multifaceted process that embarks on a journey of organizational success by commencing with a crucial phase - goal-setting and meticulous planning. At the very heart of this process lies the important task of establishing objectives, both short-term and long-term, carefully tailored to steer the organization towards its envisioned destination. The efficacy of this initial step extends beyond mere goal creation; it hinges on the seamless integration of these objectives with the subsequent actions and decisions undertaken by the organization (Ostadi et al., 2020). Strategic management's journey begins with the crucial phase of goal-setting and meticulous planning. The establishment of clear, well-defined objectives is the compass that guides the organization towards success. However, the true power of this process lies in the comprehensive communication of these goals across all levels of the organization, encouraging a shared sense of purpose, dedication, and responsibility among team members. This holistic approach not only sets the organization on the path to success but also nurtures a culture where personal growth and collective achievement are intricately intertwined, ensuring a brighter and more prosperous future for all.

b) Analysis

Through a process of situation analysis, strategists are able to gain a profound understanding of both the internal and external landscapes that surround a company. This comprehensive understanding serves as a compass guiding the company's present decisions and helping it navigate towards its envisioned future. Within this process, several crucial components come into play, each contributing to a well-rounded grasp of the organization's position and its potential trajectory. In essence, the process of situation analysis is a multifaceted endeavor, weaving together the threads of both the external and internal environments. The external environment encompasses the forces that shape the company's surroundings, from government regulations and economic conditions to technological advancements and societal shifts. Meanwhile, the internal environment investigates into the company's intrinsic capabilities and resources, uncovering its strengths and weaknesses.

c) Strategic Formation

In the realm of strategic management, this important step is dedicated to harnessing all the intelligence and data meticulously gathered throughout the initial phases of the process. Its ultimate objective: the formulation of a comprehensive strategy that can effectively guide an organization towards the attainment of its predetermined goals. It represents the juncture where the theoretical and analytical aspects of strategic planning converge with the practical aspects of resource allocation and utilization. The heart of strategic formulation lies in the generation, evaluation, and selection of the actual strategies that the organization will pursue. This phase is not a hasty decision-making process but rather a well-considered and systematic approach to strategy development. A plethora of strategies can be contemplated, each with its own set of advantages, risks, and potential outcomes. This phase is akin to a chess game, where each move is carefully considered in light of its potential consequences.

d) Strategy Implementation

The successful execution of a strategic plan hinges on a well-thought-out implementation process, which entails a series of primary steps critical for the organization's success. Among these key steps, designing an organizational structure that aligns with the strategic objectives takes precedence. It serves as the foundational framework upon which the entire strategy will be built. When crafting this structure, it's imperative to ensure that it supports and facilitates the execution of
the strategic plan. Each component of the organization should be strategically positioned to contribute to the overarching goals, encouraging synergy and alignment. Furthermore, connecting the control and incentive systems is an essential step in the strategy implementation process. To effectively monitor and manage progress, it’s crucial to establish control mechanisms that enable the organization to track its performance against the strategic objectives. These control systems should be designed to provide real-time feedback and allow for adjustments as needed to stay on course.

c) Strategy Monitoring

Strategy evaluation plays an important role in the continuous improvement and refinement of an organization’s strategic performance. It serves as a systematic process to solicit valuable feedback and insights from both internal and external sources, allowing for a comprehensive assessment of the effectiveness of the implemented strategies. The importance of this phase cannot be overstated, as it serves as a critical juncture for organizations to gauge their progress, identify potential shortcomings, and make necessary corrections, all within the context of an ever-evolving business landscape. Moreover, strategic evaluation serves as the compass that guides an organization through the labyrinth of dynamic business environments. It ensures that the strategic path remains clear and aligned with the ultimate objectives, while also allowing for the flexibility to adapt to unforeseen challenges. It is a holistic and continuous process, underscoring the notion that strategic excellence is not a one-time achievement but an ongoing journey. By embracing the ethos of strategic evaluation, organizations position themselves to thrive in an ever-changing world, where adaptability and refinement are the keys to enduring success.

Evolution of the Theme of Business Management

Strategic management theory has expanded significantly since the 1960s and has been applied to methodically direct corporate operations. Classical strategy theory, competitive strategy theory, and resource-based perspective theory are the three key stages of the development process. Economic globalization, fast technical advancement, and the advent of the information age have all contributed to strategic management since the turn of the twenty-first century, frequently through a series of actions and procedures (Tan & Ding, 2015). The writer attempts to understand the border and ascertain the course of development of management theory by looking back at the starting point of continuous development. This paper attempts to describe the new trends in the field of strategic management in the 21st century to determine the frontiers of strategic management theory, with a view to further enlightening the scientific community (Herbane, 2010). It is based on the most recent strategic management literature and quantitative analysis with scientific measurement methods.

Method

Data Analysis Method

1. Theoretical Analysis

Based on stakeholder theory and social contract theory, this paper studies the impact of fulfilling social responsibility on financial performance of Internet listed companies from the perspective of stakeholders. Based on the above theoretical analysis, due to the many types of stakeholders, six more critical stakeholders are selected based on the characteristics of the Internet, namely shareholders, creditors, employees, suppliers, users and government. The development of any company cannot be achieved without the financial support of shareholders, and the same is true for Internet listed companies. In order to maintain the normal operation of the enterprise, shareholders are needed as a stable source of funds to keep the enterprise running in a virtuous cycle. Therefore, the company should reasonably allocate the income after creating profits, reflect the true and reliable information about the business operation to the shareholders, and give the shareholders the right to participate in the major decisions of the company and in the selection of managers.

In terms of screening samples, this paper selects A-share Internet companies listed on the Shanghai and Shenzhen stock exchanges, screens the data of 73 sample companies for five consecutive years between 2016 and 2020, manually removes 33 companies with incomplete financial data in the last five years and ST category, and finally selects 40 Internet companies with a total of 200 sample data for the study. In terms of data sources, this paper mainly obtains relevant financial index data through CSMAR database, China Statistical Yearbook, Sina Finance and corporate financial reports, and for data missing in the Guotaian database, we manually collect relevant data by downloading annual reports, and use Excel and SPSS to manually organize and calculate financial data.

2. SWOT Analysis Model

The SWOT analysis model is instrumental in determining the best business strategy by comprehensively evaluating the internal and external conditions of a company. The objective is to identify the most suitable strategy based on an analysis of internal strengths (positive, internal factors that can enhance
performance) and weaknesses (internal, negative factors), along with external opportunities (favorable external trends) and threats (external, adverse factors). In the case of Tencent, SWOT analysis serves as a vital tool for situational assessment, revealing the company's current Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T) in its business landscape. As a leading player in its industry, Tencent conducts regular SWOT analyses to maintain its market leadership. This approach necessitates effective coordination among various departments, including marketing, finance, operations, management information systems, and strategic planning. Utilizing the SWOT Analysis framework allows a company to clearly identify internal strategic factors (strengths and weaknesses) and external strategic factors (opportunities and threats). The primary aim of the SWOT matrix is to identify strategies that enable a company to leverage external opportunities, counteract threats, capitalize on strengths, and overcome weaknesses, particularly in the context of Tencent's strategic planning.

3. Tencent’s Strategic Analysis

Tencent's current strategy aim is to offer people a one-stop shop for online life services. Specific content includes Internet value-added services, mobile and telecoms value-added services, and online advertising services. The coverage, substance, and target of the products and services may be used to understand this approach. First and foremost, Tencent's products and services will be available everywhere in people's everyday lives and keep up with the advancement of Internet technology, determining the depth and breadth of the company's product range. Additionally, Tencent's goods will be appropriate for users of all ages, and the customer base it caters to is the general internet user, not a particular demographic.

Exploratory Variables

a) Measures for stakeholders: Shareholders are most concerned about the return on investment, whether the investment will yield substantial benefits, and whether the equity owned will retain its value or even increase in value. Earnings per share is a measure of the profitability of an enterprise, reflecting its operating results over a certain period. Therefore, this paper chooses "earnings per share" to measure the social responsibility of Internet listed companies to shareholders. The higher the index is, the more profit shareholders make, the lower the investment risk, and the higher the level of fulfillment of responsibility to shareholders. The most important concern of creditors is whether the assets of enterprises can be realized in time and the ability to repay debts, i.e. whether the loans can be repaid in time. The net operating cash flow debt ratio reflects the enterprise's ability to repay all its debts, so this paper selects the "net operating cash flow debt ratio" to measure the social responsibility of Internet listed companies to their creditors. The higher the ratio is, the stronger the enterprise's ability to repay loans and pay interest on time, and the better the enterprise fulfills its responsibilities to creditors.

b) Measurements for employees: For employees, the most basic need is to get satisfactory financial compensation. The greater the proportion of the company's profit distribution that is used to pay employees' salaries, the more compensation the company pays to its employees. Therefore, the ratio of "compensation to employees" is chosen to measure the social responsibility to employees. When the ratio is low, it reflects that the company is not giving back to its employees and the level of responsibility to employees is low. Suppliers are most concerned about timely payment, and the turnover rate of accounts payable can reflect the timeliness of payment to suppliers. Therefore, the indicator of "accounts payable turnover rate" is selected to measure the responsibility to suppliers. The higher the ratio is, the stronger the turnover ability of the enterprise, the timelier the suppliers can collect the payment, and the higher the level of social responsibility to suppliers.

c) Measurements for users: Users are most concerned about whether Internet companies can provide quality products or services. The operating cost ratio can be used to evaluate the ability of enterprises to control costs and management level. Therefore, the higher the ratio, the more effective the internal management of the company is, the more effective it is in saving expenses and improving the quality of its operation, and the more benefits it gives to users.

d) Measure for the government: For the government, the most important issue is whether the Internet enterprises with large profits can pay taxes in full and on time, to judge the degree of contribution of Internet enterprises in this regard. The higher the ratio is, the more the company pays taxes to the government for each income, the stronger the company's ability to generate income and contribute to the GDP, and the better the company performs its responsibilities to the government.

e) Control variables. According to the study, both the size of the company and the company's own ability directly affect the scope as well as the degree of corporate social responsibility. Larger companies with sufficient resources and capital are more capable of undertaking socially responsible activities. Therefore, this paper selects "enterprise size" as the control variable and uses the logarithm of total assets.
to represent enterprise size.

Result and Discussion

Descriptive Analysis

Based on the analysis, the median return on net assets of China’s Internet listed companies from 2016 to 2020 is 0.075, indicating that the overall profitability level of the Internet industry is in positive earnings. There are also significant differences in financial performance between different Internet companies, with a maximum value of 0.536 and a minimum value of -7.081, and a standard deviation of 0.653, indicating that the financial situation varies significantly between different companies.

The maximum and minimum values of earnings per share differ significantly, with the better Internet companies being able to achieve an earnings per share of 18.528 and the worse ones being negative, i.e., less profitable, but the average value of the industry as a whole is 0.579, indicating that most companies are able to protect shareholders’ rights and interests. The net operating cash flow debt ratio has a very high value of 0.023, a very low value of -0.005 and a mean value of 0.003.

The standard deviation is 0.004 and the median is 0.002. There is a slight difference in the ability of different companies to repay their debts, but in general, most Internet companies can repay their creditors on time. The mean value of 0.033, the standard deviation of 0.025 and the median of 0.027 indicate that Internet companies do not pay much attention to their employees, but the degree of maintaining the rights and interests of employees is low. The difference between the extreme values of accounts payable turnover ratio is the largest, indicating that there is a large difference in the degree of accounts payable flow among different Internet companies. And the standard deviation is 117.938, which indicates that the Internet industry is generally able to maintain good cooperative relationships with suppliers. The median and minimum values of the cost of doing business rate have significant differences of 0.513 and 0.04, respectively, thus indicating that different Internet companies have different efforts to maintain the rights and interests of users, and there is a generally lower phenomenon of concessions for users.

The great value of income tax rate is 0.1, the very small value is -0.052, the mean value is 0.016, the standard deviation is 0.023, and the median is 0.014. From the mean value, there is not much difference in the fulfillment of tax responsibilities by Internet listed companies, but the overall tax awareness is not strong.

Correlation Analysis

<table>
<thead>
<tr>
<th>ROE</th>
<th>EPS</th>
<th>NCF</th>
<th>EPR</th>
<th>PATR</th>
<th>COR</th>
<th>ITR</th>
<th>SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.354***</td>
<td>1</td>
<td>0.217**</td>
<td>0.453***</td>
<td>1</td>
<td>0.217**</td>
<td>0.192***</td>
<td>1</td>
</tr>
<tr>
<td>0.153*</td>
<td>0.129*</td>
<td>0.212***</td>
<td>1</td>
<td>0.147*</td>
<td>-0.048*</td>
<td>-0.129*</td>
<td>-0.041*</td>
</tr>
<tr>
<td>0.266***</td>
<td>0.418***</td>
<td>0.356***</td>
<td>0.065</td>
<td>-0.037</td>
<td>-0.179*</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>0.129*</td>
<td>0.078</td>
<td>0.077</td>
<td>-0.004</td>
<td>-0.025</td>
<td>-0.174*</td>
<td>-0.005</td>
<td>1</td>
</tr>
</tbody>
</table>

Figure 1. Correlation Analysis

The data presented in the table underscores the outcomes of the correlation analysis, revealing compelling insights into the relationships between various variables. Notably, the variables of internal management, corporate performance, corporate strategy, business performance, and return on net assets exhibit positive correlations, with correlation coefficient values of 0.354, 0.217, 0.147, and 0.266, respectively. These outcomes serve to validate the propositions outlined in hypothesis 1, hypothesis 2, hypothesis 3, and hypothesis 4. The findings elucidate that Internet companies wield a substantial influence over crucial aspects of organizational functioning, directly impacting internal management dynamics, corporate performance metrics, strategic orientations, business prowess, and the financial returns on net assets.

This empirical confirmation underscores the significance of Internet companies' contributions in fostering enhanced financial performance. Specifically, the practice of distributing reasonable dividends to shareholders, ensuring the timely repayment of both principal and interest to creditors upon loan maturity, safeguarding the legal rights and interests of users, maintaining strict adherence to pertinent laws and regulations, and upholding the commitment to timely tax payments to the appropriate authorities collectively serve as avenues through which a tangible augmentation in the return on net assets can be attained for enterprises. This comprehensive approach encapsulates the multifaceted strategies through which businesses can optimize their financial performance, harnessing the positive interplay between the aforementioned variables under the influence of Internet-driven paradigms.

Grabbing the Sales Market and Making Profits in Multiple Ways

Tencent's initial strategic approach, characterized by the implementation of entirely free services, plays a pivotal role in facilitating the early and substantial
acquisition of consumer data. This data, in turn, serves as a fundamental cornerstone for the eventual success of the company’s revenue-generating endeavors. Despite the considerable costs incurred in procuring web servers to accommodate its extensive clientele, the QQ accounts themselves do not yield immediate profitability. This initial investment, however, lays the essential groundwork that propels the expansion of ancillary services, thus cementing QQ’s indispensable role (Guo, 2009).

At present, Tencent’s QQ boasts the most extensive repository of registered users within China’s internet technology application landscape. This status has officially crowned Tencent as the preeminent provider of instant messaging services across the nation. So pervasive is QQ’s influence that it has reshaped communication norms to the extent that many individuals now predominantly employ QQ numbers as a primary means of reaching out, supplanting traditional phone numbers and email addresses. The pivotal consequence of these strategic moves is Tencent’s emergence as a frontrunner, underpinned by a monopolistic grip on the mobile client model’s dynamics within the industry. This distinctive advantage, characterized by market dominance, obviates the need for constant innovation upon entering new market spheres. Instead of excessive financial commitments, Tencent harnesses its established client model to not only invigorate markets but also to propel industrial advancement, thereby reaping substantial profits that evoke envy among its competitors.

Be Clear About Where Your Customers Are and What You Can Offer Them

The majority of businesses today cater to the youth demographic, recognizing the immense potential this market segment holds. A prime example of this understanding can be seen in Tencent, where officials have honed the art of efficient consumer research. They delve into the demographics and ever-evolving needs of their youthful clientele with precision and purpose. Armed with this data-driven insight, Tencent undertakes a continuous journey of innovation, consistently refining and expanding their product features to align seamlessly with the desires and expectations of the young consumer base.

Moreover, Tencent’s astute officials have astutely grasped a fundamental aspect of young consumers – their yearning for uniqueness. This understanding forms the cornerstone of Tencent’s success with products like QQ Show. By offering a virtual platform where young individuals can express their personalities and lifestyles, Tencent has ingeniously tapped into the aspirational desires of the youth. Over time, QQ Show has organically evolved into a symbol of fashion and individuality, effortlessly aligning with the wants and needs of the youth demographic (Dayin, 2009). In this dynamic landscape, Tencent’s ability to not only comprehend but also cater to the ever-changing demands of the youth is a testament to their market acumen and adaptability.

Interconnectedness and Mutual Carrying

The synergy achieved through the integration of Tencent QQ’s diverse subsidiaries, each propelling the growth of the others, is undeniably remarkable. This strategic interplay of businesses has yielded outstanding results. In the dynamic Chinese market, the QQ portal, an innovation stemming from QQ’s unique features, secured the second position right after Baidu’s prominent search engine, even surpassing dedicated platforms like NetEase and Sina. Leveraging tools such as the Tencent micro home page and real-time news notifications that display online statuses upon user login, the company has demonstrated adeptness in maximizing existing customer resources. The ingenious utilization of these resources is particularly evident as the expansive user base of QQ software has been harnessed to expedite the advancement of Tencent’s overarching portal. This approach, serving as a distinctive resource advantage absent in other portals, has effectively propelled Tencent’s portal development at an accelerated pace. Notably, as the website’s traffic attains a formidable standing, it’s anticipated that advertising revenue and other associated earnings will be anything but inferior.

This integrated model, where each Tencent QQ subsidiary fortifies the growth trajectory of the others, signifies a prime example of business synergy. Its effectiveness is vividly demonstrated in the context of the Chinese digital landscape. The QQ portal, an offshoot of QQ’s distinctive attributes, swiftly rose to secure the second position, trailing only behind Baidu’s search engine, while surpassing specialized platforms like NetEase and Sina. The strategic deployment of tools like the Tencent micro home page and instantaneous news notifications that promptly update the online statuses upon user login showcases an astute utilization of existing customer resources. Notably, the extensive user base of QQ software has been harnessed as a valuable resource, expediting the overall advancement of Tencent’s comprehensive portal offering a competitive edge that distinguishes it from other similar platforms. The culmination of this approach is anticipated to result in substantial advertising revenue and augmented website revenues, solidifying its stance as a formidable contender in the digital realm.
Profit Multiplier Model

Tencent has successfully cultivated the QQ brand, charmingly characterized by its endearing little penguin logo—an image that has undeniably captured the hearts of the youth. This brand’s resonance with the younger demographic has been a strategic triumph for Tencent, leading to its expansion across a diverse range of merchandise including toys and apparel. These offerings resonate perfectly with QQ’s target audience, forging a seamless connection between the brand and the consumer group it caters to. By adroitly leveraging the brand’s popularity, Tencent has ingeniously extended its impact beyond its digital realm. The QQ brand has transcended its digital origins to become a tangible part of the youth culture, allowing Tencent to capitalize on this phenomenon without significant expenditure, ultimately resulting in remarkable profit amplification.

Through astute marketing and shrewd brand management, Tencent’s QQ brand has evolved into a cultural emblem that resonates profoundly with the younger generation. By meticulously aligning its ancillary products such as toys and clothing with the tastes and preferences of its core audience, Tencent has effectively harnessed the power of brand loyalty. This strategic approach has led to an expansive brand footprint that transcends digital boundaries, permeating various aspects of young people's lives. Remarkably, this widespread influence has been achieved without incurring substantial promotional costs. Tencent’s innovative brand strategy has not only established a formidable presence in the lives of the youth but has also resulted in an exponential surge in profits—an outcome attributable to the organic allure of the QQ brand rather than exorbitant marketing outlays. In essence, Tencent’s QQ brand stands as a testament to the potency of astute brand extension and the cultivation of a resonant image that transcends generations.

Think Outside the Box to Find Profits

For an extended period, Tencent's QQzone, colloquially known as the QQ space, has proven to be a highly lucrative venture. While numerous other businesses continue to deliberate over the most effective strategies for incorporating network advertising and value-added services into their blogs to generate profits, QQzone stands as a prime example of success in this domain. What sets QQzone apart is its ingenious revenue model primarily driven by the sale of diverse virtual items such as zone accents, props, contributions, music decorations, and exquisitely personalized flower arrangements. An intriguing aspect of this model lies in the correlation between the growth index of virtual flowers and the corresponding quantity of purchases, a strategic interplay that subtly nudges buyers towards making more acquisitions.

While some might argue that the overall charging mechanism employed by QQzone may not have reached its pinnacle of perfection, it is vital not to underestimate the immense potential it holds. The platform’s capabilities and prospects should not go unnoticed. There is a considerable scope for further expansion by diversifying user channels or platforms, thus widening its reach. An optimized approach would be to facilitate streamlined user access while simultaneously enriching the overall user experience through continuous user-centric innovation. This user-oriented approach ensures not only sustained engagement but also a higher likelihood of success in the long run. As the digital landscape evolves, QQzone's innovative strategies to engage users and monetize its offerings showcase its adaptability and readiness to embrace new paradigms, making it a noteworthy user in the ever-evolving realm of online enterprises.

Conclusion

Academics have focused extensively on the intricate interplay between social responsibility and financial performance across a spectrum of industries. However, it remains conspicuous that a comprehensive research framework has yet to crystallize, particularly within the realm of the burgeoning Internet sector. This burgeoning sunrise industry, with its dynamic evolution and transformative impact, demands a more nuanced exploration of the nexus between social responsibility and financial outcomes. To propel this exploration forward, it is imperative that subsequent investigations undertake a more profound plunge into deciphering the multifaceted influence exerted by the social responsibility initiatives undertaken by Internet enterprises on their financial performance. By doing so, these future studies stand poised to not only augment the existing dimensions and facets of social responsibility encompassed by Internet enterprises but also to yield findings that resonate across the entire expanse of the Internet industry.

The present study, drawing inspiration from Tencent in China, serves as an illustrative paradigm to illuminate the intrinsic strategies that underpin its ascendancy within the swiftly burgeoning market. These strategies, exhaustively delineated in preceding chapters, not only underscore Tencent's pursuit of competitive ascendancy but also spotlight the intricate dynamics that underscore the contemporary business landscape. It is important to acknowledge the existence of certain limitations inherent in Tencent's strategies, thereby paving the way for targeted recommendations aimed at refining and fortifying their approach. Nevertheless, the culmination of this study is not just an endpoint, but a foundation upon which a future cadre of
scholars can build a robust theoretical edifice tailored to the idiosyncrasies of Chinese Internet enterprises. This theoretical scaffold can serve as a compass guiding these enterprises in embracing and discharging their social responsibility with judicious sagacity.

Anticipating the trajectory of scholarly endeavors, it is our aspiration that forthcoming research endeavors will coalesce into a coherent theoretical framework that mirrors the unique tapestry of Chinese Internet enterprises. Such a framework would assume the role of a lodestar, providing astute guidance to these enterprises as they navigate the intricacies of their social responsibilities. Moreover, it is hoped that this evolved framework will engender a more comprehensive and precise yardstick for assessing the fulcrum of social responsibility performance, affording a substantive bedrock upon which both economic and social progress can be progressively catalyzed. Ultimately, the confluence of meticulous research, strategic insights, and a robust theoretical scaffold has the potential to unleash a transformative synergy, propelling Chinese Internet enterprises towards a future that harmonizes financial prowess with conscientious social stewardship.

References


Library Management, vol. 38, no. 4, s. 248-262. ISSN 01435124.


Shishmanova, M. (2010). Регионал анализ (Regional analysis)


79


