

The Choice of Non-Market Strategy for Private Express Enterprises in China

-- Case Study Based on Enterprise Gene Theory

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Abstract: Due to the Internet era and the background of big data, the express industry in China is developing rapidly. In addition to China Post, private express enterprises in our country are also entering a period of vigorous development. However, private express enterprises are still facing many other problems besides the effectiveness of market economy during development. What's more, the choice of non-market strategy of enterprises has attracted more and more attention, but few people have studied the behavior and image establishment of such enterprises in the face of the public and the media. In the process of using the non-market strategy, the enterprise must deal with the relationship with many stakeholders, in order to help itself to build a unique competitive advantage. Based on the analysis framework established by the enterprise gene theory, this paper makes a deep analysis of social public and media strategy adopted by private express enterprises in China. Taking Shunfeng enterprises as the research object, this paper systematically expounds the concrete manifestations of enterprise genetic mechanism in the development process of private express enterprises, as well as the impact of gene recombination on the choice of non-market strategy for enterprises.

1. Introduction

With the all-round development of the Internet and big data, the private express enterprises have already become one of the important parts of the express industry in our country. Especially since 2015, the 108th Executive Meeting of the State Council deliberated and adopted the 'several opinions on promoting the development of express delivery industry', marking a new period for the development of the express delivery industry. However, enterprises are also facing increasingly prominent problems, like the manufacture is big but weak, and problems of internationalization, sustainable development and so on. In addition to economic performance, most of the problems private express enterprises are facing involve the choice of non-market strategy. Non-market strategy is the frontier field of strategic management research [1]. Instead of focusing on market strategies, non-market strategies focus on the strategic relationship between the firm and the external environment, including the interaction between the company and the external environment (Holburn & Vandenburgh, 2014).

Modern enterprise production management and business decision-making are largely dependent on the 'network ecosystem' of social media, online communities, upstream and downstream partnerships and competitors [2]. Traditional non-market strategy choices will be difficult to fully adapt itself to the new context. Therefore, using the enterprise gene theory will be a useful exploration for the problems of the formation of corporate gene (Liu Ruizhi, 2014). Solving the problem of non-market strategy choice is not only a problem that private express enterprises need to discuss and break through, but also a problem that government departments, academia and the industry need to pay attention to. By researching and exploring possible solutions of this problem,

the future growth path of Chinese private express enterprises can finally be found.

This paper aims to study the non-market strategic choice of Chinese private express enterprises by using the enterprise gene theory, and emphasizes that to some extent, the internal gene of the enterprises determines the non-market strategy and corresponding behavior of the enterprises. In the research process, this paper chooses Shunfeng (hereinafter referred to as 'Sf') as a case, using the exploratory single case study method to analyze the social public and media strategy and the corresponding behavior of Sf from the perspective of corporate genetic inheritance. Sf is chosen because it is a representative private express enterprise in the country. It has achieved good results no matter in scale, internationalization, reputation and industry status.

2. Theoretical basis

2.1 Literature review

(1) Enterprise Gene Theory. In 1982, Nelson and Winter proposed that the convention of the firm acted in the same way as the genes of the organism. The building of the model of enterprise gene marked the establishment of enterprise gene theory [3]. The research of enterprise gene theory in China has been progressed to the construction enterprise gene model from simple concept. Zhang Yuming and Zhu Changsong (2012) believe that enterprise gene theory finds the key factors that determine the survival, growth and adaptability of enterprises. When a company encounters a major crisis in its development, the challenge of survival is usually met by the recombination of corporate genes (Wang Wei, Sui Sujie, 2016).

Corporate genes are made up of different elements. Neilson et Al. (2005) argued that corporate DNA is a system which consists of four basic elements: organizational structure, information transmission mechanism, decision-making power and incentive mechanism [4]. Some scholars extend the views and put forward that the four genetic elements are business model, management model, resource support system and organizational structure [5]. The corporate gene of the private express enterprise can use the resources centrally and better establish the enterprise strategy at the basic business level, so that most traditional businesses can be changed. Meanwhile, private express companies could also rearrange individual genes to form new genomes that are more efficient to create greater business competitiveness.

(2) Non-market Strategy. Baron (1995) first proposed the concept defined a non-market strategy as a coherent action taken by an enterprise to increase value by improving overall behavior in a non-market environment. (Akbar & Kisilowski, 2015) points out the importance of non-market strategies in the field of strategic management. Dorobantu et al (2016) define non-market strategy as the interaction between enterprises and different components of their institutional environment [6]. Domestic scholars also have relatively rich research on it. Xie Peihong, He Xiaoguang and Yan Haiyan (2010) believe that the most common non-market strategy includes three types [7], corporate political strategy, corporate social responsibility strategy, social public and media strategy. Shao Jianbing, Liu Ligang and Yang Hongji (2016) hold that other factors of non-market strategy are bound to be involved in fulfilling corporate social responsibility.

In general, the non-market strategy of an enterprise refers to the combination of a series of strategies when it is faced with the external non-market environment composed of relevant stakeholders. The non-market strategy of private express delivery enterprises also involves the interest-related groups such as infrastructure construction departments, transportation departments, customs departments, e-commerce enterprises and consumers. In the process of choosing non-market strategy, various factors should be considered comprehensively and the comprehensive competitiveness of enterprises should be enhanced through non-market strategy.

2.2 Theoretical modelling

The behavior of enterprises to the public and media will be different because of the internal characteristics of enterprises. According to the division of the corporate gene dimension and the research results of the influencing factors of the social public and media strategy, the corporate gene

is divided into 3 dimensions: business model, organizational structure and incentive mechanism in this study. Different gene combinations will form different social images, and thus which non-market strategy enterprises use to face the public and media can be decided. Corporate genes constitute new corporate social public and media genes through heredity, variation and recombination. The theoretical research model based on the above logic is shown in figure 1:

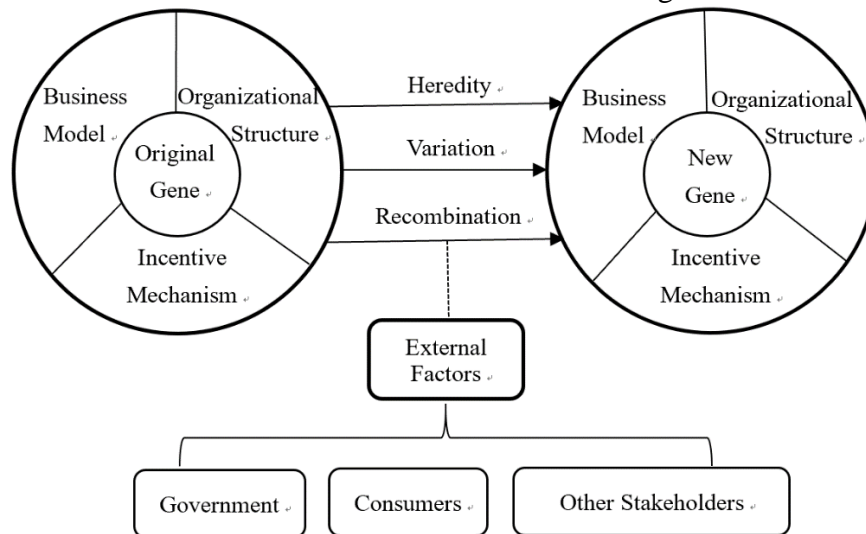


Figure 1 Theoretical research model

3. Research design and case presentation

3.1 Research design

By collecting and sorting out the case data, explaining and summarizing them in detail, this paper constructs the theoretical framework of case interpretation to analyze the relevant data. In order to ensure the depth of research, this paper adopts the single case study method and selects Shunfeng express Co., Ltd. as the research object, based on the typical requirements of the case. As a listed company, SF express has sufficient data and information. Besides, its subsidiaries including SF Tyson, Fengchao Technology, SJFD express and SF airport investment, are closely related to society, and are more in favor of systematic analysis of SF's non-market strategic options.

The reason why this study adopts the case study method is that this method is mainly used for the verification of qualitative theoretical propositions, which is different from the practice of quantitative generalization of empirical papers. In order to ensure the reliability and validity of the study, this paper adopts the method of literature collection, and the author tries to expand the diversity of literature channels and the main body of literature publication, so as to meet the requirement of mutual corroboration of evidence. The main sources of the literature are as follows: (1) Academic literature: The collected literatures were retrieved from the network of Chinese academic journals and the Chinese doctoral and master thesis databases. (2) Annual report: The annual reports of SF were obtained from the website of Shenzhen Stock Exchange since 2017. (3) Media materials: Various Data and materials were from public media, including online media and paper media.

3.2 Case presentation

SF express is currently the leader of China's private express industry. It is founded on March 26, 1993. Now its business scope includes international freight forwarders, import and export of goods (except controlled goods), import and export of technology, advertising, inter-provincial express, international express; road freight transport, provincial express business, etc. On February 24, 2017, S.F. Holding held a reorganization and renaming and listing ceremony on the Shenzhen Stock Exchange, formally landing a share.

SF is the best among several private companies in China in terms of international business

distribution, and has a relatively mature distribution in different types and timeliness standards of import and export services. SF express offers international express/ ex-gratia and direct freight services to meet the different quality and price requirements of different customers. In addition to cross-border e-commerce market, it also launched international pack serving ordinary B2C online retailers, and the international e-commerce express which demands both high transport value and good service. Sf launched cross-border online shopping transshipment service platform: SFbuy, specifically targeted at Haitao customers, so that its business distribution can be more comprehensive.

Compared with the big four logistics giants, FedEx, UPS, DHL and TNT, Sf express is a lightweight enterprise. Due to differences in operating environment and culture, overseas business brings certain challenges for enterprises to 'go global'. First, they lack resources for international air transport networks. Second, Chinese express delivery enterprises lack overseas land logistics networks and the ability to collect goods. In such cases, companies tend to take the easy way out by setting up joint ventures with well-known local express logistics companies or state institutions, such as the joint venture between S.F. Holdings and UPS in Hong Kong in 2017. This strategic deployment enables SF express to better focus on cross-border trade and expand the global market.

4. Case discussion and analysis

4.1 Public and media strategic gene system of private express enterprises

According to different public relations behaviors and internal characteristics of enterprises facing the public and media, this paper mainly divides enterprise genes into three dimensions: business model, organizational structure and incentive mechanism. Different gene combinations will form different social images and then determine which non-market strategies enterprises use to face the public and media. Sf express, as a mature private express enterprise, has a unique corporate gene, which is worthy of discussion and reference.

4.1.1 Business model

Wei Wei, Zhu Wuxiang and Lin Guiping (2012) understood the business model as the transaction structure of an enterprise and its stakeholders, and believed that the business model consists of six elements: business system, positioning, profit model, key resource capacity, cash flow structure and enterprise value [8]. Sf express mainly uses the strategy of direct marketing and vigorously expanding its network to make itself rich in network resources. Moreover, sf abundant recruitment of talents, through staff management refinement of this development decision to obtain the key resource and ability of high productivity. Based on these resources and capabilities, sf focuses on the middle and high-end business market with high quality and high price, extends to the low-end market, enters the middle and high-end e-commerce express market and develops new market segments.

However, sf's current business model also has some limitations. First, sf continues to invest a lot of money in network construction, information construction and so on, so as to continuously strengthen the core resources and capabilities [9]. The formation of a heavy asset model will lead to enterprises more vulnerable to macro environment and policy impact [10]. Second, the listing of competitors "four links and one access" brings them abundant funds, and to improve the logistics network, facilities and services, which will lead to the decline of sf's competitiveness.

In conclusion, affected by the low end the market price, sf express should actively explore high-end, medium-high end e-commerce market and high-end international express market, and constantly expand new market segments, so as to make full use of strong core resources and capabilities, form scale effect, reduce operating costs and realize increasing returns on scale. In addition, sf can implement the strategy of horizontal integration to obtain the economy of scope; We will improve the logistics system in rural areas and other remote or underdeveloped areas, and further build an international logistics network on a global scale.

4.1.2 Organization structure

The organizational structure of express delivery companies changes with the development of modern enterprise organizational structure. It needs to adapt to the implementation of enterprise strategy, executive force and the improvement of the overall personnel quality of enterprises. If the organizational structure and enterprise development are not appropriate, it will produce negative effects. Although China's private express industry is developing well, its development level is not consistent. Some private express enterprises with small scale and single function often adopt simple structure in the early stage of development, where the authority is relatively centralized. Private express enterprises need to choose the organizational structure type suitable for their own development scale, and promote the coordination and unity within the organization [11].

In this paper, the overall organizational structure of sf is divided into two aspects: headquarters structure and regional structure, as shown in the following figure:

As can be seen from the above figure, sf express clearly divides the functions and powers into distinct hierarchies, and it belongs to the traditional vertical management. In this case, the communication barriers from the first to the last layer are relatively large and large time-consuming affects the efficiency of communication and feedback. Due to the progress of mobile network and technologies such as cloud computing and big data, the organizational form of express delivery enterprises should realize the integration of business flow, capital flow, logistics and information flow, so as to improve the core competitiveness. Private express companies need to change from traditional vertical management to flattening and network management, which means to cut down the management level and the staffs at personnel level can communicate with each other smoothly. Then each business division has a more flexible system and independent business system, which is more conducive to the realization of the group's overall goals.

4.1.3 Incentive mechanism

With the improvement of management theory, researchers have different understanding of incentive in different development stages. Some scholars believe that motivation is the exploration of various plans, and it determines whether the members of an organization can achieve the goals of the organization. Researching on team motivation should not be ignored in enterprise construction. One of the important links to build a high-performing team is to build a reasonable and effective incentive mechanism, so as to stimulate the ability of team members, exert their positive effects and achieve the purpose of maximizing the enterprise operation efficiency. At present, most private express delivery practitioners in China are generally at a lower level of enthusiasm. Therefore, it is necessary to combine the team incentive factors and individual incentive factors, strengthen the understanding of the importance of incentive in team construction and improve the overall incentive level.

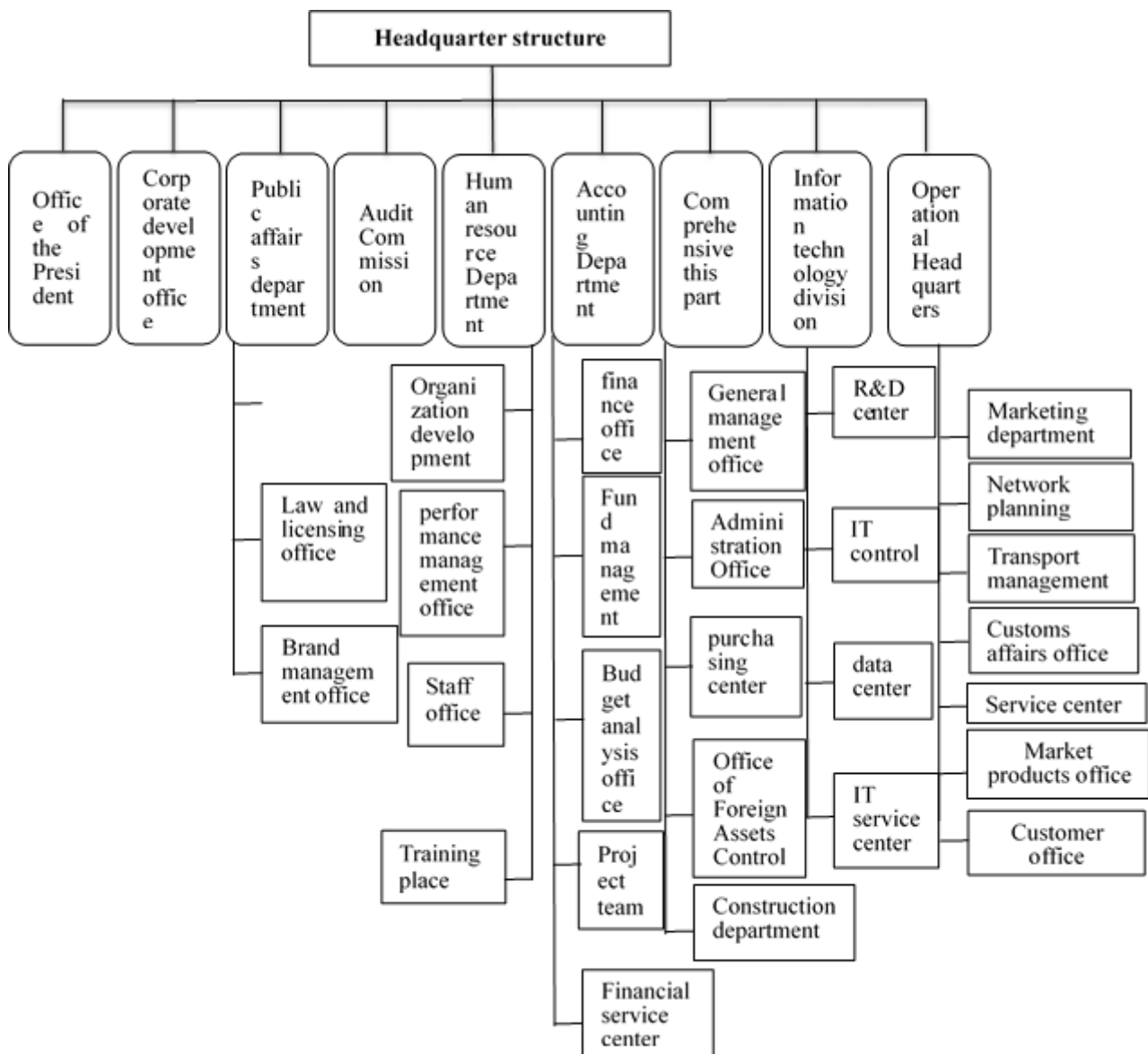


figure 2 Headquarter structure

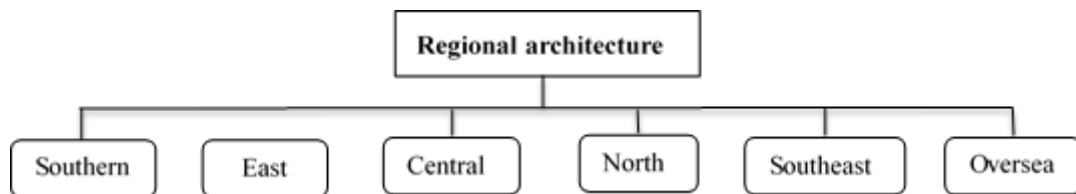


Figure 3 Sf organization chart

The incentive plan of sf mainly focuses on salary increase and promotion, and provides incentive plan to in-service employees who meet certain conditions and pay according to the predetermined schedule. Enterprises adopt a “one size fits all” approach to employee incentives at all levels, which is conducive to simplified management and is transparent, fair and easy to understand. However, for a large number of sf employees, different employees, especially those at different levels, have different actual needs and different requirements for incentive means. The easy way is difficult to meet the diversified needs of employees. Such an approach would only have an incentive effect on employees who are in urgent need of salary increase and promotion, but not on other employees

[12].

Therefore, can consider to design more diverse incentive mechanism, for example to carry out the different technical training for new and old employees, for employees in need to provide rich opportunities for overseas and the exchange of learning in colleges and universities, etc., which not only can inspire more employees has this aspect demand, also can improve the quality of the enterprise staff, innovative thinking and work efficiency. In addition, humanistic care for employees and encouragement of personal value can also be part of the incentive mechanism.

4.2 Public media constraints and non-market strategy options

Public media constraints mainly come from customers and other stakeholders outside the enterprise. This paper analyses different behaviors of enterprises in the face of public media and the non-market strategy adopted according to the characteristics of enterprises by sorting out three major controversial events in Sf in recent years, as shown in table 1.

Table 1 Details of Major Controversial Events.

Time	Event summary	Response of Sf	Public and media comments
2014.5.18	“Heike waterloo event”:Sf officially launched offline store “Heike”, but the style inside Heike was strange--customers could only see goods instead of buying them.	“Sf Heike” officially changed into “Sf Best” in November, 2016. The new Sf Best store not only enriched commodity categories, but also provided a “full channel” shopping experience.	Many customers thought that Sf was not familiar with the business models of e-commerce, which led to the failure of Heike. Most netizens also didn’t understand the strange style of it.
2016.4.17	“Sf courier beaten event”: In Beijing, a Sf express courier had a slight collision with a car during delivery process. The car’s owner slapped and insulted the courier and didn’t stop with the persuasion of other people.	Sf said that most couriers are young who keep offering smiling service no matter how tired they are. They hope that both sides can understand each other. Currently, Sf had found this courier and they would take good care of him.	Li Xiang, the founder of Autohomeand many netizens said that money for repairing the car should be returned to the owner completely, but six slaps he gave the courier should have to be beaten back, too.
2017.6.13	“Dispute event of fresh e-commerce players”: the fresh online merchant, Yi Chang Mengchengcheng, reprimanded that Sf hijacked customers by using fresh express package, which led to considerable controversy on the Internet.	Wang Wei, the founder of Sf, responded that the company had never allowed that thing and this poster happened in individual regions, which was absolutelyagainst the company's regulations. Sf did not transfer information to Dadangjia’s use.	Some media thought that Sf Dalian had rich experience in delivery and its quality could be guaranteed.Other netizens thought that the organizational structure of SF was not perfect enough, which led to such a situation.

Source: Collected by the author.

4.2.1 Heike waterloo event

After the failure of Heike promotion, Sf changed Heike into Sf Home, but still did not reverse the situation, and consecutively generated huge losses. According to the financial data disclosed by Dingtai Ltd. of Sf backdoor listing, Sf’s “stripped business sector” lost 1.606 billion yuan in total in the three years from 2013 to 2015, the reason of which was related to Sf’s self-centralized laying of off-line stores.The main two reasons for the failure of Heike are as follows. First, Heike is against the trend and experience. Compared with online and offline retailing, it lacks competitiveness. Retailing is a new thing for Sf. This kind of unfamiliarity and lack of sufficient experience also lead to dissatisfied result.Second, Heike lacks advantages. In Sf Heike's stores, there is no product display. This kind of shopping that customer only looks at the display picture and cannot purchase on the spot, reduces the experience degree, and is not convenient enough. For offline convenience stores, one of the biggest advantages is fast. Heike cannot compare with it which has this extremely convenient instant purchase.

Overall, Sf's business model in the past was mainly centered around the high-end market to set up a wide network, and vigorously invested in logistics transportation funds and equipment. When entering the e-commerce industry, the suitable business strategy and business model of e-commerce enterprises were not taken into account. Therefore, in this case, the way of genetic replication alone cannot successfully break the ice. While Sf is transforming and occupying other business areas, it also needs to know the business model suitable for the exact business in advance through gene recombination and other ways, to construct high efficiency and highly matched business model genes.

4.2.2 Sf courier beaten event

Sf always pay attention to the motivation of employees. Especially after that the young courier was beaten had caused fierce repercussions, Sf stood out at the first time, expressing the humanistic concern of enterprises and resolutely safeguarding the interests of employees. The incentive mechanism plays an important role in improving work efficiency of employees, reducing the turnover rate and establishing the internal image of enterprises. The emergence of this kind of incentive mechanism, such as spiritual support and humanistic care, is richer and more diverse than the original single salary increase and promotion mechanism of Sf.

It can be seen that when controversial incidents occur, the public and the media can strengthen the incentive mechanism of enterprises to a certain degree. By promoting gene mutation of incentive mechanism and recombining new genes with old ones, enterprises can get new and more efficient and competitive incentive mechanism genes. The new incentive mechanism will also have new requirements for enterprises and further determine the new social public and media strategy.

4.2.3 Dispute event of fresh e-commerce players

Sf's organizational structure is divided into headquarters structure and regional structure. Headquarters structure mainly reflects the internal structure and hierarchical relationship of a single enterprise. Regional structure tends to reflect the relationship between headquarters and its subsidiaries. As a whole, Sf's organizational structure is more traditional and vertical. The occurrence of e-commerce disputes also reflects the imperfection of its regional structure.

According to Wang Wei, founder of Sf, the act of posting advertisements on parcels took place in individual areas, not in the whole company advertising for Dadangjia, which, however, is also against the company's regulations. The reasons for the failure of individual areas to comply with headquarters regulations are also related to the traditional vertical management organizational structure of Sf. Under the vertical organizational structure, headquarters is difficult to control the overall situation, and the regional distribution and the independence of subordinate departments are high, the communication efficiency between which is low. Therefore, the occurrence of this controversial event will help Sf to think about how to improve the organizational structure of enterprises, to develop in the direction of horizontalization and networking, and to create a more efficient and competitive organizational structure, which is convenient for management and supervision.

5. Conclusions

5.1 Findings

With the popularity and development of the Internet and the promotion of non-market strategy, the choice of corporate social public and media strategy has increasingly become a key factor in the development and construction of competitive advantage of private express enterprises in China. The four genes of business model, organizational structure, incentive mechanism and endogenous growth mechanism determine the different characteristics of enterprises and the choice of non-market strategy.

Sf's successful business model in the field of logistics is not necessarily suitable for e-commerce enterprises, which makes simple gene replication in the expansion period cannot well support the

expansion of enterprises and business scope. The mutation and recombination of corporate genes caused by the public and media can help Sf update the old genes, make them become stronger, and enhance the core competitiveness of enterprises. Sf's organizational structure is also relatively traditional. Because of the clear hierarchy and high Power Distance Index, the communication efficiency is not high enough, and the information transmission time is long. The occurrence of fresh e-commerce disputes reflects this problem at a certain level. The disharmony between regional divisions and headquarters is also a derivative result of the vertical management structure.

Incentive mechanism and endogenous growth mechanism have reached a high level for Sf, a mature enterprise. However, if the enterprise enters the metamorphosis period and strives to break through in order to achieve a qualitative leap, the enterprise gene needs to be further strengthened and improved. Therefore, the problems faced by private express enterprises in China are different. Enterprises should extract their own enterprise genes, analyze their characteristics, and recombine their genes according to different characteristics, so as to adapt to the changing social public and media, and choose the best non-market strategy.

5.2 Research notes

Shunfeng, as the leader of private express enterprises in China, has entered the maturity stage of enterprise life cycle. However, in different stages of enterprise development, the role of genetic mechanism has different characteristics (Shao Jianbing, 2016). Therefore, how to analyze the gene of private express delivery enterprises in China and improve their operational efficiency through restructuring methods should also take their growth stage into account.

The growth period of an enterprise mainly includes growth stage, maturity stage and metamorphosis stage. The enterprise genes in different periods has different characteristics. Enterprises in different stages of development have different abilities, and so have different responsibilities and requirements for choosing non-market strategies. The discussion in this paper mainly focuses on Sf, a mature enterprise, without dynamic analysis of enterprises at different stages. Therefore, the comprehensive study of enterprises in different periods of growth and transformation will become the focus of follow-up research.

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