

Research on Enterprise Platformization Based on Organizational Structure Reform——Taking SF Express as an Example

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ABSTRACT

With the rapid development of information technology oversetting more and more industries, platformization has become an important trend to transform and upgrade for enterprises. Related to the survival and development of enterprises, it also provides sustainable power to create more value. However, the current researches on enterprise platformization mainly focus on its economic and social impact on the macro market. While this paper takes the organizational structure change as a guide, probing into the meaning and impact of platformization as for the organization itself, and tries to analyze S.F. Holding Co.,Ltd, the largest Chinese private logistics company, as an example. As results, in pace with the delaying organizational structure change, platformization multiplies the profit, make the enterprise stand out of the fierce competition. Meanwhile, platformization challenges the enterprise a lot on resource reset and management.

Keywords: *enterprise platformization, organizational structure change, S.F. Holding Co.,Ltd, organization management*

1. INTRODUCTION

As the new technology subverted economic efficiency[1], the platform economy, covering and sharing benefits with multiple industries and enterprises from multi-sides, has mushroomed rapidly. Therefore, based on Chandler's "Structure Follows Strategy theory"[2], the environment revolution on technology and market requires corresponding strategies of enterprises, in pace with which is the appropriate organizational structure. For example, the traditional industrial companies like Nike, Daimler and Unilever have ventured to create their own platform[3]. Platformization is not the domain of Internet enterprises solely.

As for the platformization, present researches[4] are mainly from the perspective of the macro market, including the stimulation to positive network effects within the platform ecosystem, and it is prone to network monopoly, conversely. However, little light has been shed on the meaningful connotation of platformization to an enterprise itself, which is an innovation of business model, and an extension of its product chain. Meanwhile,

it is also an organizational structure change to optimize the management[5].

Therefore, platformization includes organizational structure change, while the organizational structure change serves for the platformization strategy. The two are interdependent, essentially two angles of the same transform process.

Proved by the leap of science and technology after the second industrial revolution, as well as the development of organizational structure, the more advanced information technology is, the greater the control of enterprise decision-making level. The organizational structure evolves from the traditional tower-type line to the matrix divisional, and to the delayering boundaryless organization[6], which is exactly the most common way for platformization of an organizational structure, changing from the original liner to the matrix or divisional.

Above all, the leap of information technology promotes organizational change, the direction of which is platformization. Platform-based transformation has

become a new factor affecting future economic development trends[7].

Therefore, this paper probes into the connotations, conditions, and influences of platformization to an enterprise, viewing from the perspective of organizational structure change. Helped with the case of S.F. Holding Co.,Ltd(in the rest of this paper, it is abbreviated as SF Holding), it discusses the change of organizational structure, and the platformization centered on the supply chain specifically. Based on the present cases, this paper summarizes platformization's potential opportunities and challenges to an enterprise. Focus on a single organization in the market, this paper supplements the change to a micro organization, providing practical reference on the decision and preparation before and after platformization for an enterprise.

2. CASE STUDY: THE PLATFORMIZATION OF SF HOLDING

2.1 Introduction of SF Holding

Founded in 1993, SF Holding was firstly founded as an express company. Today, it is the fourth largest express enterprise worldwide in terms of market capitalization, firmly ranking the largest integrated logistics service provider in China. To its main business, the number and quality of its customers are both much higher than the average, which is inseparable from three following reforms.

The first time was from 1999 to 2002. SF Holding transited its operation mode from franchise to direct sales, becoming the first Chinese logistics company that gave up the rapid growth of market share and huge profits from franchise fees. Since then, SF Holding has positioned itself in the high-end market. The second time was in 2009. Based on the former resources, SF Holding purchased the first cargo aircraft and established a subsidiary: SF Airline.

Since 2012, SF Holding has begun the third reform: transform to provide integrated supply chain solutions based on customer needs. It set up the business towards diversified and integrated logistics and express delivery service, involving the fields of e-commerce, finance and so on. Afterwards, SF Holding began to lay out the

upstream and downstream firms, capturing profits through acquisitions and partnership. In 2017, SF Holding successfully made a backdoor listing.

2.2 The platformization of SF Holding

Triggered by the foundation of subsidiary SF Airline and SF Technology in 2009, SF Holding has gradually begun the platformization. Until 2021, based on the massive data and experience accumulated in its diversified businesses, as well as its technological accumulation in logistics intelligence and digitization, SF Holding officially positioned itself as a data and technology-driven company providing independent the third party solutions. Building itself as a giant aircraft carrier in the logistics industry, SF Holding empowers the supply chain of an entire industry to transform and upgrade.

In line with the transformation strategy, SF Holding continuously establishes or merges related subsidiaries, adjusts internal departments, upgrading from the earliest express company to a platform-based conglomerate. Its organizational structure has also changed from the linear-functional to the divisional structure. At the end of 2020, there are 77 subsidiaries under the direct or part control of SF Holding. Following are three significant subsidiaries as milestones in platformization.

First is SF Technology. It provides products like Big Data Ecosystem, smart map, UAV(Unmanned Aerial Vehicle), automation series, etc., as well as professional and safe integrated solutions for special needs such as environmental protection, special temperature control, large and heavy or precision instruments, and information security.

Second is Hive Box Technology. Founded in 2015, it has become an industry benchmark in the field of smart express cabinets and an open third-party platform. The target of it is solving the "last mile" problem in the express industry.

Third is Fengtai e-commerce Industrial Park. Layouting from 2017, it provides standardized office space for logistics upstream and downstream enterprises, as well as for them in e-commerce and modern service industry. It tends to create an industrial service platform for the construction of industrial parks.

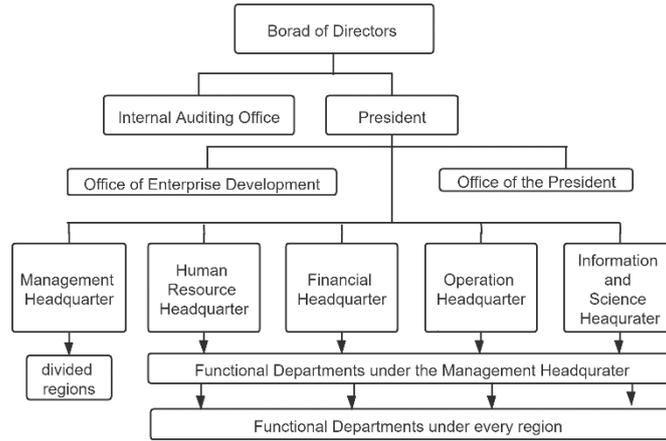


Figure 1 The organizational structure before platformization

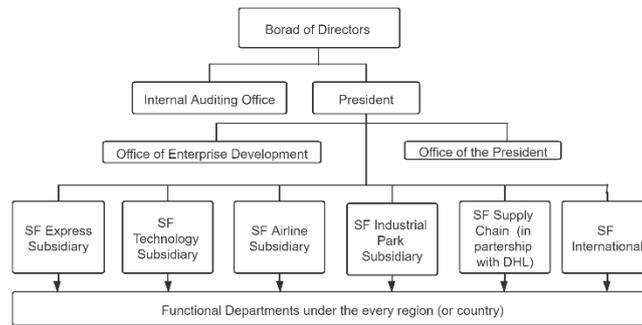


Figure 2 The organizational structure after platformization

2.3 Results

Platforms serve, non-exclusively, as data-intermediaries that aggregate, facilitate, and control the connection between distinctive actors such as micro-entrepreneurs, institutions, content developers, advertisers, and end users[8]. Generally speaking, a platform enterprise is a bilateral or multilateral market that provides multi-level services or products to the whole society, including end customers and node enterprises. It acts as a neutral middleman.

Illustrated by the case of SF Holding, for a single enterprise, the process of platformization is to divide the enterprise’s work modularizedly, when splits the competitive parts of its own supply chain to establish independent subsidiaries. These subsidiaries not only support the original business of the parent company, but also provide products and services to other enterprises in the same industry, as well as directly serve end consumers. In this way, the parent company not only provides the original finished products, but also provides services for work processing, which were originally located in the production link. Essentially, it is the reintegration of different advantageous resources of an organization. In the platform, resource suppliers and consumers have a

broader space to better match the supply and demand of the entire market.

One of the same cases is China’s successful catering company Haidilao[9]. It platformized to provide products, such as finished seasonings, engineering production, etc.; and with services including vegetable processing, management consulting, staff training, soft outfit design, information system, and so on.

Throughout the decades of SF Holding’s transformation, the initial goal is not a clear platformization, but to expand towards the upstream and downstream supply chain, proactively grasping the development of information technology. Identifying new opportunities step by step, it miraculously boosted and made an undisputed number one in China’s logistics industry, even against the macro trend in the COVID-19 pandemic. It continues to platformization, playing a role of aircraft carrier that carries China’s logistics industry forward.

3. CONDITIONS FOR ENTERPRISE PLATFORMIZATION

Based on the literature and cases of existing platformization among multiple industries, this paper

analyzes what conditions should enterprises have when considering platformization, the perspectives of which are macro-environment and micro-individual enterprises.

3.1 External conditions

From the macro perspective, the premise is that whether the industry has a promising future. In addition, the basic condition for enterprises to implement the platformization is their industry status. For the supply and demand in the market, only when an enterprise is in a leading position with a highly competitive supply chain, can other competitors have a demand for its services. Platform enterprises must also have an abundant accumulation of resources or some special resources, so as to lower the threshold for small and medium enterprises to enter the industry as marginal cost. The platform enterprise and complementors have to trust mutually, promoting the positive networking of the entire industry.

3.2 Internal conditions

3.2.1 Robust data-processing system

To implement a platformization, the most internal condition is a robust data and information processing system. As the internal departments becoming independent subsidiaries, all the businesses like the operation, finance, etc. need to be handled independently by each subsidiary, and be planned and reviewed by the parent enterprise as a whole. This puts a high requirement on the enterprise's information processing system. The enterprise must have a strong data integration and processing system, to deal with the massive data from subsidiaries, clients, and consumers after platformization.

3.2.2 Stable capital sources

Platformization undoubtedly requires a lot of funds. As aforementioned, enterprises capable to undergo platformization must be in maturity period, generating sufficient cash flow by operating activities. But that is far from enough for platformization. Therefore, enterprises must have the ability to raise funds to continuously construct the platform. Equity financing is a common method for platformization. Haidilao firstly divested its qualified assets to a subsidiary, making it qualified to go public and raised capital for the group. While SF Holding made a backdoor listing, providing relatively stable and low-cost capital for platformization.

3.2.3 Efficient management regulations and innovative organizational culture

As an organizational structure change, platformization requires highly of the internal organization management. One of them is human

resource management. Enterprises should have an efficient management system, to handle the position and salary fluctuations caused by personnel adjustment, and the recruitment and training of new employees. It is better to deal with possible crises from the source.

In addition, an open and innovative organizational culture are necessary for great organizational reforms. Employees should be willing to accept changes firstly, and then participate in innovation and create value in the follow-up process of platformization.

4. IMPACT OF PLATFORMATION ON ENTERPRISES

4.1 Opportunities

As an important trend of organization reform in the information technology era, platformization demonstrably brings unlimited development opportunities for enterprises. A research demonstrates that enterprises with platforms had a greater annual boost in earnings compared with the nonplayers[3].

First of all, by expanding the scale through platformization, the enterprise is exposed to the demands of the entire market and is direct to consumers. Consequently the source of income extends from the final product or service to every link of the supply chain, naturally multiplying the income. At the same time, in highly mature industries undergoing a development slowdown, platformization help enterprises break through the trap and get rid of internal competition, achieving a symbiotically win-win.

In addition, platformization expands the enterprise itself into an aircraft carrier-like group matrix that provides services for the entire industry, which increases consumer recognition and forms a brand effect. To some extent, it makes the platform enterprise an essential part of the business landscape.

4.2 Challenges

While platformization brings opportunities to enterprises, challenges are also inevitable. Following is a discussion of potential challenges from the perspective of internal organization management.

4.2.1 Challenges for decision

Changing from a single linear organization to a divisional organization in the group, the chain of command is greatly extended. Consequently, for the parent company, the balance between centralization and decentralization is particularly important. Centralization attaches to the accuracy and consistency of the enterprise's strategic decision, while decentralization means the independence and flexibility for timely

decision-making. Therefore, how to delegate rights is a challenge to platform enterprises.

4.2.2 Challenges for lead and execution

Due to the organizational structure change, the span of control and organizational levels is different. It is common to cause the multi-leadership, especially in the early stages of platformization, which makes it middle managers easy to have unclear responsibilities, shirking them, even hindering accountability. This is harmful to the execution and control of decisions.

4.2.3 Challenges for management communication

After the platformization, independent subsidiaries would face more interest conflicts, increasing obstacles and lowering efficiency to horizontal communication. In that case, internal consumption results in the waste of resources.

5. CONCLUSION

Taking SF Holdings, a leading private logistics enterprise in China as a case study, this paper specifically analyzes how it undergoes the platformization, and the organizational structure of which has changed from a linear functional to a divisional. The case vividly demonstrates the connotation and development prospects of platformization.

After that, from the perspective of internal organization, it is summarized that the necessary conditions for enterprises to carry out platformization and the impact on enterprises. Basically, the enterprise must be in leading status among the macro market, with a highly competitive supply chain. Regarding the internal situation, the enterprise needs to have a robust information processing system to process the massive data; sufficient funds and continuous financing capabilities; as well as an efficient and powerful management regulation, and an innovative organizational culture.

The impact of platformization on enterprises is mainly analyzed from the perspectives of opportunities and challenges. The opportunities mainly are that multiply the profit growth point; get rid of the predicament of slow industry growth and stiff internal competition; and enhance the brand effect. Meanwhile, platformization also brings many challenges to enterprises, which are discussed from aspects of the decision, lead and execution, and management communication.

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