



Study on Enterprise Management Mode Take SF Express as an Example

Shurui Yan(✉)

Faculty of Business and Economics, University of Melbourne, Melbourne, Australia
shuruiy@student.unimelb.edu.au

Abstract. With the explosive development of the e-commerce industry under the COVID-19, it also provides development opportunities for the logistics industry. SF Express is China's overall integrated logistics service provider, which transports express, express, cold, pharmaceutical, international and other businesses. Based on the 2016–2020 SF Express's revenue composition, earnings, ROE and other data, combined with qualitative and analytical methods, this article analyzes SF companies and gives investment recommendations and risk warnings. The study found that compared with traditional business, SF Express's new business is relatively rapid; Feng Express's financial situation is good, debt capacity is strong, and its development capacity may be weak. The research results of this paper have determined the industries that conform to the enterprise management in logistics applications, and in another part, they have provided practical experience for the development of the logistics industry.

Keywords: SF Express · Enterprise Management · Case study

1 Introduction

SF Express is a leading integrated logistics service provider in China. It is a business partner who helps our customers succeed, with the mission is to plan and provide professional solutions to customers' problems. The values of SF Express are customer achievement, innovation, equality and respect, openness, and mutual benefit. SF Express provides high-quality logistics services on the distribution side and extends to the upstream and downstream of the industrial chain to provide industry customers with efficient, stable, and agile digital and integrated supply chain solutions that run through procurement, production, circulation, sales, and after-sales. SF Holdings is a comprehensive express logistics service industry. Its peer companies include Ali Cainiao, Yunda, YTO Express, Sinotrans, etc. In the same industry competition, SF Express's advantage lies in its self-operated model, closed-loop logistics that has been opened up, and its leading technological level.

Figure 1 exhibits the development of SF Express. In 1993, SF Express was born in ShunDe, GuangZhou, relying on the Pearl River Delta urban agglomeration. From 1997 to 2001, SF Express started to go out of South China to the whole country, ushering in rapid development. Between 2002 and 2007, SF establishes headquarters in Shenzhen,

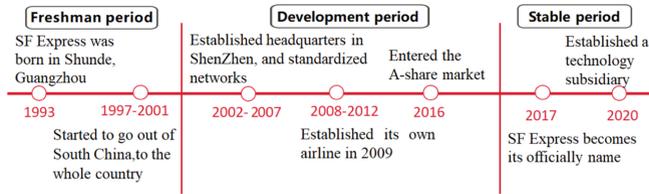


Fig. 1. The development of SF Express.

comprehensively improved management capabilities, and standardized networks. SF Express established its own airline in 2009, gradually expanding into the international market and strengthening its competitive edge in express delivery. On 12 December 2016, SF received approval from the China Securities Regulatory Commission to enter the A-share market. On 24 February 2017, SF Express was officially renamed. In 2020, SF Express established a technology subsidiary, relying on the SF Group's technology chassis, and leveraging SF's early investment in technology.

Traditional capability theory focuses on the special resources and capabilities of an enterprise and considers them to be one of the important reasons for the sustainable operation and comparative advantage of an enterprise [1]. However, the traditional capability theory ignores the source of the firm's special resources and capabilities, taking them as the analysis's premise [2]. Traditional capability theory focuses on balanced analysis, emphasizes the development of enterprises themselves, and ignores the macro background of social and commercial society and the development of other enterprises [3]. Traditional capability theory relies too much on static analysis, and the premise is too conservative, so there are fundamental logical contradictions in describing the strategic development and comparative advantage of enterprises [4]. With the rapid development of technology and politics, the traditional capability theory has been unable to meet the needs of modern development of enterprises. Compared with the traditional capability theory, the dynamic theory adopts the method of dynamic analysis and considers the enterprise itself and competitors at the same time so as to deal with the enterprise resources more completely [5]. It analyzes how the enterprise identifies the demands of the market to construct or shape its resources and capabilities. In the constantly developing market, how do enterprises rationally allocate or even rebuild resources and capabilities from the strategic perspective according to the changes; how to continuously learn and develop new resources and capabilities under the premise of re-identifying and reconfiguring resources and capabilities [6]? Dynamic capability theory inherits the affirmation of enterprise resources and capabilities in traditional capability theory and recognizes that one of the core advantages of an enterprise is resources and supporting capabilities [7]. However, on the basis of the traditional capability theory, the comparison angle is expanded horizontally, the analysis object is changed from static to dynamic [8], and more influencing factors are covered so that the theoretical analysis is relatively more practical reference. In addition, in the study of dynamic capability theory, the emphasis is placed on the mechanism that enterprises use to accumulate the probability and direction of influencing the process of learning and research [9], highlighting the innovation and dynamic performance of enterprises, and focusing on the rigid demand

in pioneering dynamics. In other words, in the modern business society, the enterprises that can survive all have their core competitiveness or core resources [10]. Nevertheless, an enterprise that is content with this cannot sustain a competitive advantage in a highly competitive business society because everything is changing rapidly, including the enterprise itself [11]. Therefore, if an enterprise wants to achieve, maintain, or even surpass the ideal operating state, it must learn and innovate spontaneously [12]. With a clear understanding of its enterprise, it must re-identify the market demand and positioning and reintegrate, configure, absorb and cultivate the resources, which is the “rigidity of pioneering power” [13].

Through analyzing the connotation of the dynamic capability theory, the author thinks that the theory embodies the modern enterprise to establish and maintain the core of comparative advantage, through the understanding of the external environment and dredge [14], consolidation or reshape enterprise internal and external resources and ability, and make full use of strategic policy based on the original resources and ability for innovative resources and capabilities. By acquiring innovative resources and capabilities [15], enterprises can continuously polish and reshape their core competitiveness, and make strategic adjustments to themselves based on the dynamic environment in order to achieve the ultimate goal of maintaining their comparative advantages [16]. Thus, discussing the construction of dynamic enterprise capability needs to consider the integration of internal and external resources, as well as how to reset or cultivate resources and capabilities. In the exploration of enterprise resources, the first thing to be precise is internal enterprise resources [17]. The author divides enterprise internal resources into tangible resources and intangible resources. Tangible resources refer to the resources that can be directly measured with money, including but not limited to material resources such as production and non-material resources such as human resources. Intangible resources include but are not limited to goodwill, corporate culture, and organizational experience [18]. The internal resources of the enterprise are the foundation of the enterprise. In the static dimension, the internal resources are the fundamental reason for the formation and development of enterprises. In the dynamic dimension, the internal resources are one of the bases for the enterprise to realize the integration of internal and external [19]. External sources seem to fit the definition of “dynamic change” better than the enterprise’s own sources. Many resources that are not controlled by enterprises themselves, such as industrial resources, industrial resources, market resources, and macro conditions, can be included in the scope of discussion [20]. Considering the large number of players in external resources, the author chose the common factors in most resources, namely customers and other competitors in the industry as the main object to discuss.

2 Data and Method

In this paper, SF Express is taken as the case study object, and the data from 2016 to 2020 is taken as the sample data from SF’s annual reports and IPO prospectus. Quantitative and qualitative research methods are used to analyze the business model and profit model of SF Express.

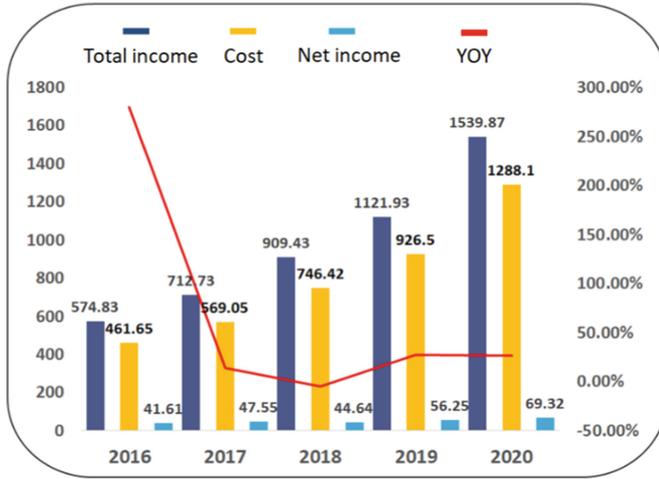


Fig. 2. SF Express's operations from 2016 to 2020 (RMB 100 million).

3 Results and Discussion

3.1 Business Model Analysis

SF Express's operations from 2016 to 2020 are shown in Fig. 2. The total operating income of SF Express has been increasing year by year in the past five years. In 2020, the company achieved a total operating income of 153.987 billion RMB, a year-on-year increase of 37.25%, higher than the industry growth rate of 17.3%. The company achieved a year-on-year increase of 68.46% in the volume of parts in 2020, far exceeding 31.2% of the industry's overall growth rate, and its market share increased to 9.76%, an increase of 2.15 percentage points from the previous year. SF Express's operating costs have increased year by year in the past five years. SF Express expects that all business segments will continue to maintain rapid growth in the future, so it is ahead of schedule in terms of key resources such as site upgrades and automation equipment transformation. The above investment will cause cost pressure in the short term, but with the gradual increase in business volume and the expansion of network scale, the scale benefits are expected to be gradually released and manifested in the future after a certain ramp-up period. SF Express has maintained a positive net profit in the past five years, and its net profit has increased year by year, and it will have relatively large growth in 2020. The main reason is the rapid growth of the company's business volume and the increase in capacity utilization [14].

Figure 3 gives the income structure disassembly of SF Express. Land transportation products have proliferated, and the proportion of their business has increased significantly. SF Express increased its investment in land transportation network resources during the peak period of the fourth quarter of 2020, and further expanded its production capacity in the land transportation network. In 2020, SF Cold Transportation's B2C product business achieved good growth. SF Express will continue to expand the B2B market, and the overall scale of its cold transport business will continue to expand. At the

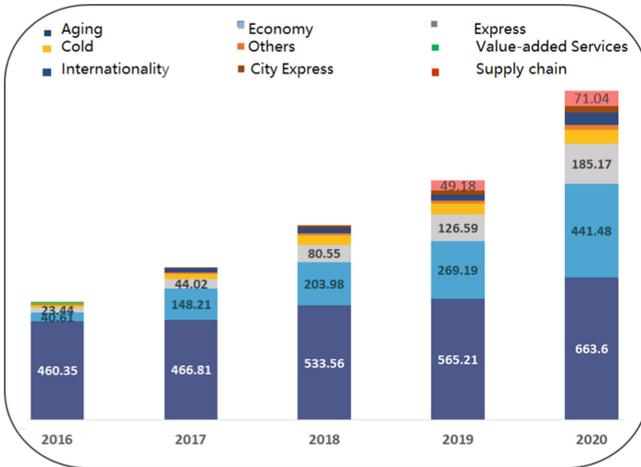


Fig. 3. SF's operating income composition (RMB million)

same time, SF Express continued to increase the solid cold chain warehouse and trunk network layouts, further improved network coverage, operational efficiency, and service quality. SF Express has established a nationwide food cold chain network, which has an absolute advantage in network coverage, leading the industry in cold chain technology and implementation standards. SF Express's international express business covers 78 countries and regions overseas, and SF's international e-commerce business covers 225 countries and regions around the world, achieving steady business growth. In 2020, SF's international business achieved a tax-free operating income of 5.973 billion yuan, a year-on-year increase of 110.40%, becoming the company's fastest-growing business segment.

3.2 Profit Model

Figure 4 shows the 2016–2020 ROE analysis of SF Express. SF's total asset turnover rate is higher than 1, and asset utilization rate is relatively high. There was a decline from 2016 to 2019. In 2018, SF Express and DPDHL (Deutsche Post DHL Group) reached a strategic cooperation to integrate DPDHL's supply chain business in Mainland China, Hong Kong, and Macau, which may lead to a sudden increase in total assets. While in 2020, the total asset turnover rate climbed to 1.51 again. At the same time, it is noted that the net sales margin has been relatively flat during the five-year period, showing a downward trend. It can be speculated that the increase in asset turnover in 2020 may not be due to the improvement of asset utilization efficiency [15], but due to the retirement of some fixed assets in the context of the epidemic. The declining net sales margin also shows that SF Express's higher profit costs are partly due to the investment in business development and large-scale expansion strategies in recent years. The average ROE (weighted) of SF Express is 16.83%, which has remained above 8%. It belongs to the category of high-quality companies and is more stable than its peer ROE. The decline

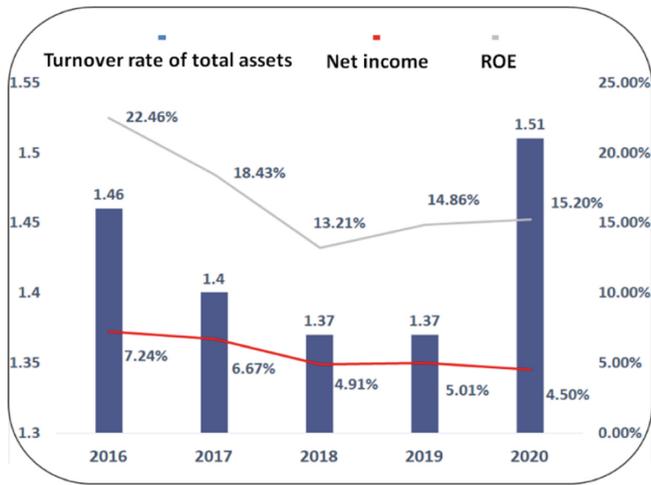


Fig. 4. 2016–2020 ROE analysis

from 2017 to 2018 was mainly due to the company's large investment before and after its listing.

Figure 5 shows the solvency index of SF Express. In the past five years, SF Express's current ratio and quick ratio have both maintained above 1, but have not exceeded 1.5, and the solvency is acceptable. Except for SF Express's increase in cash ratios during the backdoor listing period from 2016 to 2017, the rest have shown a downward trend so far, and the decline in 2020 will be relatively significant. It has dropped from 61.17% in 2017 to 39.27% at present. On the one hand, it stems from the company's expansion; on the other hand, it may be affected by the epidemic. Even so, SF Express's cash ratio is still higher than 20%, indicating that the company has a decent ability to pay current debts. The reduced cash ratio from a high level also indirectly indicates that the company's current assets have been better used, and the profitability of cash assets has improved. SF's asset-liability ratio remains at around 50%, indicating that the company's debt risk is relatively small, and it can also use reasonable leverage and external funds to accelerate development. In 2018, SF Express issued a large number of corporate bonds for financing, and the issuance of medium-term notes and ultra-short-term financing bills other than corporate bonds also increased. It can be seen from this that SF Holdings can adjust its total borrowing volume appropriately and flexibly, and its financial borrowing status is relatively good.



Fig. 5. The solvency rate

4 Conclusion

First, as the world’s fourth largest express company, SF Express is firmly in the leading position of domestic express delivery. Its traditional business is relatively mature, and its emerging business is developing rapidly. Second, SF Express has an “Aviation Network”, “Ground Network” and “Information Network” industry layout. It has recently increased investment in intelligent technology to build its unique core competitiveness in the industry steadily. Third, SF’s asset liquidity has gradually increased, and both the quick ratio and current ratio remain in the range of 1.2–1.4. It has ability to repay debts in a timely manner.

The natural demand side does not entirely drive the growth rate of SF Express’s business. In many cases, it is driven by the supply side of business development. Therefore, it is relatively prone to a mismatch between production capacity and demand, which in turn causes rising costs and pressure on performance. In 2021, SF Express will focus on building digital supply chain solutions and accelerating the market development of diversified business segments and the investment of network resources, which will cause the company’s costs to be under pressure in stages. Whether SF Express can enter the ramp-up period of cost improvement in its capacity utilization rate next year, whether the investment in new capacity and whether the four network financing materials can gradually take effect will greatly affect the company’s performance. Second, the market trend of macroeconomic growth is slowing, labor costs are rising rapidly, and oil prices are rising sharply. The development of SF Express’s time-sensitive parts may not be as expected.

References

1. ŁęgowikMałolepsza, Małgorzata, et al. DISRUPTIONS OF THE FLOW OF INFORMATION IN BUSINESS MANAGEMENT [J]. Journal of Clinical Investigation, 2016, 113(9):1271–1276.

2. Nguyen D K, Vo D T. Enterprise Risk Management and Solvency: The Case of the Listed EU Insurers [J]. Working Papers, 2021.
3. Kleef J, Roome N J. Developing capabilities and competence for sustainable business management as innovation: a research agenda [J]. *Journal of Cleaner Production*, 2007, 15(1):38–51.
4. Chen Y. A New Mode of Enterprise Management—Value Enterprise Management [J]. *Journal of Management Science & Engineering research*, 2020, 2(2).
5. Zheng S R. On Business Management Transformation in E-Commerce Age [J]. *Journal of Shanxi Finance and Economics University*, 2004.
6. Keating H, Keating H , Keating A. SYSTEM FOR PROVIDING ENTREPRENEURS AND BUSINESSES ACCESS TO INFORMATION, EDUCATION AND BUSINESS MANAGEMENT TOOLS [J]. 2008.
7. Xue, Mei, Harker, et al. Customer Efficiency: Concept and Its Impact on E-Business Management [J]. *Journal of Service Research*, 2002.
8. Arto K A, Dietrich P H. Strategic business management through multiple projects. *The Wiley Guide to Managing Projects*, 2004.
9. Haberman H , Danes S M . Father-Daughter and Father-Son Family Business Management Transfer Comparison: Family FIRO Model Application [J]. *Family Business Review*, 2010, 20(2):163–184.
10. Zhou Q, Mei Q, Liu S, et al. Dual-effects of core enterprise management and media attention on occupational health and safety of small and medium suppliers in China [J]. *Technology in Society*, 2020, 63.
11. Feng Z Y, Guo X H , Zeng D J , et al. On the research frontiers of business management in the context of Big Data [J]. *Journal of Management Sciences in China*, 2013.
12. Xie Q, Hu X, Y Li. Shenglong Electric’s “Group Boss System” Mode of Enterprise Management and Its Elements——a Study based on the Grounded Theory [J]. *Science & Technology Progress and Policy*, 2019.
13. Jiang-Wei L I. Research on Small Enterprise Management Theory Based on an Organizational Model of LOL-EV [J]. *Management & Technology of SME*, 2020.
14. Org Z. Strategic Technology Management: Building Bridges between Sciences, Engineering and Business Management [J]. *World Scientific Books*, 2004.
15. Mazzocco, M. A. HACCP as a Business Management Tool[J]. *American Journal of Agricultural Economics*, 1996, 78(3):770–774.
16. Hanel P. Intellectual property rights business management practices: A survey of the literature [J]. *Technovation*, 2006, 26(8):895–931.
17. Cherchye L, Abeele P V. On Research Efficiency: A Micro-Analysis of Dutch University Research in Economics and Business Management [J]. *Public Economics Working Paper Series*, 2002, 34(4):495–516.
18. Sundet A O, Mo M. Systems thinking applied to find underlying problem in enterprise management of induction heating transformers [C]// *INCOSE International Symposium*. John Wiley & Sons, Ltd, 2020.
19. Dierksmeier C, Pirson M. Oikonomia Versus Chrematistike: Learning from Aristotle About the Future Orientation of Business Management [J]. *Journal of Business Ethics*, 2009, 88(3):417–430.
20. Ahlemann F, Legner C, Lux J. A Resource-Based Perspective of Value Generation through Enterprise Architecture Management[J]. *Information & Management*, 2021, 58(1):1–17.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

