Research on Financial Risk Management of Internet Enterprise—Taking Alibaba as an Example

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Abstract. Internet enterprises are the leading roles in the network era, and their status in the economic development of our country cannot be ignored. In the process of rapid development, they are facing a lot of risks, especially financial risks. There is a sharp contrast between the rapid development and the backward supervision in Internet enterprises. When seeking development, many Internet enterprises get stuck in financial distress because of the threat of financial risk, leading to bankruptcy and a series of serious consequences. It is urgent to study the financial risk management of Internet enterprises. Taking Alibaba Company as an example, this paper analyzes the theory and practice of financial risk in Internet enterprises and puts forward some suggestions for avoiding financial risk.

Introduction
Since Premier Li Keqiang proposed to formulate “Internet +” action plan in 2015, through continuous development and innovation, Internet enterprises have no longer been confined to the previous web portal and instant messaging. Their business scope is constantly expanding, combining the Internet with traditional enterprises to find a new development direction for traditional enterprises. The development of Internet enterprises in China has the innate advantages of strong government support, sufficient market potential and high investment enthusiasm, but the boom bubble formed by this has masked many existing problems. Internet companies have created many myths, but in 2000 when the Internet bubble burst, the development of Internet enterprises had encountered obstacles. After experiencing setbacks, people have to think deeply about the risks of Internet enterprises, and the financial risk management of Internet enterprises has been concerned. Alibaba is the leader of Internet enterprises in our country. Its successful profit model has become the research focus of many scholars, but few scholars have explored and studied the risk problems in the process of its development.

Financial Risk Analysis of Alibaba Company
Founded in 1999, Alibaba has successively set up the Alibaba website, Taobao, Alipay, Alimama, Tmall, Aliyun, Taobao APP and Alipay APP. After more than a decade, it has become the world's largest online and mobile e-commerce company. The ecosystem established by the company provides operation platforms for the third party.

Operational Risk
Alibaba's operational risk is hidden in its established business ecosystem which is formed by the mosaic of its business model and industrial chain. From the point of view of the time axis, the functional attributes of each of Ali's companies at different stages are in line with the urgent needs of the market at that time, as well as needs of Ali's pursuit of development. Operational risk is a fatal blow to the development of Internet enterprises. Once customers change their consumption habits, a huge Internet enterprise is likely to be destroyed. Alibaba's various platforms have cultivated the network consumption habit of the user, and other network platforms duplicate this kind of business model, which can cause certain operational risk to it.
Credit Risk
Alibaba’s Taobao website is the largest e-commerce platform in China, in which traders need to pass real-name certification to open online stores. Buyers buy fake and shoddy goods on the platform, indirectly lowering Alibaba's credibility. Alibaba should play a role in checking the quality of products provided by merchants, but the actual situation is that it determines the reputation level of merchants only through transactions reflected by data. If it can’t guarantee that buyers buy quality products on Taobao, it will lose a large number of customers with high requirements on quality. The loss of more customers will lead to a gradual decline in the appeal of the platform.

Investment Risk
The development of Alibaba Company has its unique advantages, that is, large market scale, sufficient market potential and optimistic market expectation. The speed and scale of its development mask many deep-seated problems, such as blind expansion. Its reasons are various, which may be following suit of investment or overconfidence of managers. However, this kind of blind expansion has become normal state in Alibaba's enterprises. The Alibaba Group has invested in entertainment, e-commerce, finance, education, tourism, enterprises, real estate, health care, hardware, games, and so on, and the investment efficiency remains to be discussed. About investment projects, it does not strictly assess the risk of a single project, basically takes the individual will of the manager as the investment standard.

Cash Flow Risk
Alibaba needs a lot of money to develop new markets, cultivate user habits and research and development of cloud computing technology. The money that Ali spends to cultivate user habits when investing in new areas is often referred to as "burning money" by others. For example: Alibaba's Didi car-hailing and Tencent's Kuaidi car-hailing have respectively invested more than 1 billion to invite the vast number of users to experience ride-hailing software with the purpose of seizing the taxi service software market. This behavior is designed to cultivate customer habits and establish a market order for ride-hailing software. The fluidity of network platform users is strong, whether price changes or product performance can keep up with the pace of demand or not may lead to a large loss of users. Cash flow risk management needs to start from the internal of company to improve the accuracy of market forecasting and constantly adjust the sales strategy. Externally, it needs to expand its channels and speeds up the cash flow-back.

Compliance Risk
Alibaba Company takes the model innovation and technological innovation as the basic driving force of development. In terms of Internet enterprises, China restricts the entry of foreign capital, and many Internet enterprises are not set up in China due to their financing needs. Strictly speaking, Alibaba is not a Chinese company. The organizational structure of the variable interest entity adopted by Alibaba is likely to be prohibited by law in the future, and the variable interest entity also has certain risks in the aspect of taxation.

Countermeasures for Financial Risk Management of Alibaba Company
Perfection of Financial Risk Management System

Improvement of the Internal Control System of the Company. The board of directors, management and other operational management staff jointly implement the internal control process to avoid the potential factors that may have harmful impact on the company, and finally realize organizational goals. If the internal control environment fails to meet the requirements for implementation, other elements will not work. The construction of the internal environment needs to build the internal workflow and grasp the key nodes of risk control, thus forming a good internal control environment. The corresponding departments in the internal of Internet enterprises can hold regular internal meetings to inform the current important situation of financial risk management.
Company executives and business departments as well as risk related departments should effectively communicate financial risks which may be triggered on a regular basis and adopt appropriate means to manage financial risks as soon as possible.

**Strengthening of Supervision and Regulation throughout the Process.** Supervision and regulation of the whole process mainly refers to two aspects. The first is dynamic risk monitoring system. The second is the maintenance and management of dynamic monitoring system. Dynamic financial risk monitoring system refers to the establishment of a comprehensive data monitoring system of financial risk management in enterprises. After the company digitizes the risk factors in the internal and external environment, the data of risk factor are not fixed. A special data monitoring department shall be established within the company to be responsible for the analysis and management of data changes. The data monitoring department also needs to carry on the daily maintenance and the management to the dynamic financial risk monitoring system. The data monitoring department must accept regular internal audits and inspections, The data monitoring department needs to be obedient to the leadership from the management and report the conclusion of the summary and analysis to the relevant management.

**Enhancement of Risk Management Awareness of Management Layer**

**Construction of a Culture-oriented Risk Management Model.** The fundamental purpose of financial risk management is to serve the company to achieve its objectives. When constructing the financial risk management culture, we should take the corporate goal as the guidance, let the employees have the sense of identity and participation in the corporate culture, and finally achieve the aim of compliance with the code of conduct of financial risk management. Once the enterprise financial risk management culture is formed, it will have a long-term impact on enterprise and its various levels of employees. In order to construct culture-oriented risk management, firstly, it is necessary to propagate the culture to the employees and enhance their awareness of financial risk management. Secondly, standardize the behavior of employees from the action, carry out the work of self-evaluation, and investigate the degree of understanding and acceptance of the employees about culture.

**Introduction of Big Data Thinking Control.** Big data not only has a large total amount, but also has the characteristics of many kinds, low data value density and timeliness. The financial risk of big data thinking control regards the whole company as well as the internal and external environment as the whole data-set and abandons the thought that limits the financial risk to the financial department. First, risks should be digitized. Transform the process of managing risks directly into managing risks through data. Risk management through data is divided into two steps. The first is to translate risk into data. First of all, we need to subdivide the risk dimension. The second is to manage the data. After the risks are transformed into data, there is a need to strengthen the management of the data itself, such as data storage risks and operational risks.

**Introduction of Talents for "Internet +" Financial Risk Management.** The mismatch between financial risk management talents and needs will have a profound impact on the company in the future. With the development of digitization, new requirements have been put forward for financial risk managers. But the reality is that data managers cannot get quantitative indicators, data technicians and financial risk managers are difficult to communicate and decision makers who make use of data are difficult to rely on them. This series of difficulties leads to low data utilization. Technically, financial risk managers should be able to analyze and process large amounts of financial and commercial data and discover valuable information for the enterprise. Therefore, they need to have the ability to understand big data technology and be able to interpret the conclusion of big data analysis. The introduction of such talents will provide a strong guarantee for the company to manage financial risks.

**Promotion of the Establishment and Improvement of Industry Rules and Related Laws**

**Enhancement of Real-name Authentication Inspection.** Alibaba platform has implemented the real-name system for a period of time and has basically set up the real-name system of user. But the...
quality of real-name users has certain hidden trouble. In the Internet financial system, when auditing
the lending in loan business involved by Alibaba, users need to upload company information, but
there are loopholes in real-name information. In the process of handling business, the user should be
required to upload the photo in which personal identification card and face appear at the same time,
and a technology should be introduced that can identify whether the photos are synthesized by
photo retouching software.

**Development of Reasonable and Scientific Industry Standards.** The multiplicity of Alibaba's
business makes the enterprise itself have multiple attributes, and its business fields cover public
services, financial industry, mobile payment and so on. The incorporated business has the company
attribute as well as the bank attribute at the same time. Financial risk presents different
characteristics according to different business characteristics. The development of reasonable and
scientific industry standards normalizes new types of Internet financial risks, especially in the
traditional industries and the field subverted by Internet innovation is in urgent need of industry risk
management standards. The new field generated in the process of combining traditional industry
with Internet platform needs new industry rules. The traditional standardized risk management
mechanism needs to be further extended and developed.

**Summary**

Based on the specific situation of Alibaba's case, this paper analyzes the problems in its financial
risk management in depth. At the same time, by analyzing the causes of the financial risk
management problems, it puts forward some suggestions to optimize the financial risk management
of company. Through the case study of this paper, it provides some suggestions for the development
of Internet industry.

Looking forward to the future, Internet companies will occupy an increasingly important position
in the economic development of our country. Their pace to expand overseas markets has been
advancing along with the process of economic globalization, but there still exists the problem of
financial risk management, and international competitiveness needs to be improved. At present, the
problem of financial risk management is hidden in the process of company management, and its
long-term impact remains to be observed. There are still uncertain factors in global economic
development, but the Internet industry in our country should seize the opportunity, formulate a
feasible financial risk management strategy and make adequate preparation for dealing with
financial risks.

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