



Strategic management accounting of social networking site service company in China

Strategic
management
accounting

125

C.C. Steve Fong

*School of Business, Macao Polytechnic Institute, Macau,
People's Republic of China*

Abstract

Purpose – Social networking site (SNS) service is a popular cultural issue that affects communication methods and mannerisms. The purpose of this paper is to analyze the case of the growth and development of a China SNS service company using the strategic management accounting (SMA) spectrum.

Design/methodology/approach – The paper primarily employs archival resources such as company reports and newspaper clippings online to provide a business and social developmental context to the study. Three propositions are developed and discussed.

Findings – The study illustrates SMA application in business. It shapes the perception of contemporary accounting, and then delivers an awareness of the relationship among business strategy, accounting, and social life.

Research limitations/implications – This paper is based on a single case study, thus the findings may not be generalized to other popular culture service companies. The case has shown some reasons why different SMA techniques are used by the company in different stages of the organizational life cycle.

Practical implications – First, in the start-up stage of an SNS service company, it engages in product development to obtain funding resources and market so as to enhance market share. Second, in the growth stage of SNS service, the company engages in product financing through the capital market and trade financing.

Originality/value – The SNS service has emerged for accounting for popular culture. Such connection is especially found in SMA in different stages of the organizational life cycles as addressed in the study.

Keywords China, Business formation, Management accounting, Social networking sites, Popular culture

Paper type Case study

1. Introduction

We aim at providing real-time as well as non real-time users with a variety of products and services, and thereby steadily increasing user loyalty (CEO of Tencent) (Ma, 2010).

Tencent QQ (QQ) has become interpersonal relationship managing software, administrating the social contacts between a countless number of people (CTO of Tencent) (Ma, 2010).

This paper studies a major social networking site (SNS) services company in China. It is a case study of a renowned China information technology (IT) company, Tencent, which provides SNS services, and it analyzes the roles of strategic management accounting (SMA) in relation to organizational life cycles.

Companies in both the manufacturing and service sectors have faced dramatic changes in their business environment (Ma and Tayles, 2009; Langfield-Smith, 2008). Increase in government regulation, combined with extensive competition from overseas



companies in domestic markets has led to a highly competitive global market. It influences management to combine traditional management accounting techniques with business strategies in operation and consequently leads to emergence of SMA. SMA introduces a long-term and external perspective, and it emphasizes the opportunity to rationalize the accounting information used for building the business strategy. The origin of it dates back to Simmonds (1981, 1982). He developed the concept of SMA, stating it as a collection of management accounting information about the business and its competitors, which are used in developing and monitoring the organisation's strategy. Regarding corporate growth, SMA extends to company finance spectrum for coordinating management strategy, accounting and finance (Langfield-Smith, 2008).

SNS is a web-based service that enables users to create profiles, articulate and communicate with others. It is a fancy and popular cultural issue. Boyd and Ellison (2007) define SNS as a web-based service that enables people to:

- construct a public or semipublic profile within a bounded system;
- communicate with other users; and
- view the pages and details provided by other users within the system.

The SNS has evolved as a combination of personalized media experience, within social context of participation. As the increase in popularity of SNS is on a constant rise, new uses for the technology are constantly being notified. At the forefront of emerging trends in SNS is the concept of "real time" and "location based". It allows users to contribute content, which is then broadcasted as it is uploaded. The concept is similar to live television broadcasts. Nowadays, SNS is a popular culture throughout the world. Popular culture incorporates series of ideas, perspectives, attitudes and other phenomena that are deemed an informal consensus within the mainstream of culture (Oracle ThinkQuest, 2000). Heavily influenced by the mass media, this collection of ideas reflects the everyday lives of the society. Popular culture changes constantly and occurs uniquely in place and time. SNS represents a complex of mutually interdependent perspectives and values that influence the society.

SNS allows users to create profiles, personal demographic data, for themselves; examples are Facebook, Twitter and Tencent QQ. SNS is openly available to all web users to communicate and is designed to attract online advertisements. In China, Tencent QQ has more than 400 million users, just ranking second after Facebook of 500 million users in mid-2010 (Tencent, 2010b).

In China SNS market, Tencent's QQ, Baidu, Kaixin 001 and RenRen are the most popular SNS titles, according to an online brand recommender, Holaba (Kelikuru.com, 2011). For popularity, shopping frequency and recommendation, Tencent's QQ surpasses all other three competitors in China. QQ is now the most popular free SNS and instant messaging (IM) computer program in China. Since its entrance into the Chinese households, QQ has quickly emerged as a modern cultural phenomenon, now being portrayed in popular culture. Aside from the online chat program, QQ has also developed many sub-features including games, virtual pets, and ring tone downloads (Appendix).

The development of this paper is structured as follows: the next section reviews the literature on SMA, with Section 3 integrating the literature on SMA and company life cycle. It is followed by development of three research propositions. Section 4 illustrates the research model. Section 5 provides the company's background and a detailed description of the introduction of SMA in the start-up and growth stages of Tencent.

Section 6 discusses the findings of the research. Finally, Section 7 concludes the paper and discusses the limitations of the research and explores the areas for future research.

2. SMA and social network

2.1 Strategic management accounting

In recent decades, companies in both the manufacturing and service sectors have faced dramatic changes in business environment. Strengthening in government regulation and growing competition from overseas companies in domestic markets have resulted in increasing international competition in most industries (Langfield-Smith *et al.*, 2009). At the same time, there has been a significant reduction in product life cycle arising from technological innovations and the need to meet increasingly discriminative customer demands.

To compete successfully in today's highly competitive global environment, companies have made customer satisfaction the first priority. They have also adopted new management approaches, changed their SMA systems and invested in new technologies. The increasing competition has squeezed the profit margins, and more attention is to be paid to the various aspects of management accounting for cost and value management. These changes have had a significant influence on management accounting systems. Management accountants are assumed to play a significant role in improving the company competitiveness. SMA is a type of management accounting which emphasizes on factors external to the company (Inman, 1999). Simmonds (1981, 1982) stressed the need to have a holistic accounting basis including internal and external data: cash flows and resource utilization, market share, volume, as well as relative competitive position. Such information includes business and marketing issues, such as product market, supplies market and competitor campaigns, SMA can hence examine the decision-making linked with the business operations and strategic issues of financial administration.

Nowadays, accountants are advised to move away from financial concerns to larger business issues (Rosender, 1995; Rosender and Hart, 2003). SMA is treated as a common-sense approach to the problems in a changing competitive and technological environment. Some accounting researchers have regarded SMA as a great contribution by accountants to strategy formulation and implementation (Shank, 1989, 1996).

Bromwich and Bhimani (1994) stated that SMA emphasizes on using management accounting to concentrate on the consumer value generated. It helps in monitoring the company performance and gets a whole range of strategic variables over a decision horizon sufficiently long for strategic plans to be implemented. Additionally, SMA focuses a lot on non-financial measures (Bhimani and Langfield-Smith, 2007). For instance, the efficient functioning of customer-related and competitor-related practices rely heavily on measures of a non-financial nature (Seal, 2001).

Evidence reviews that SMA practices have broad-ranging degrees of application (Ma and Tayles, 2009). The adoption of innovative SMA practices is relatively low (Chenhall and Langfield-Smith, 1998). Still the potential of SMA should not be underestimated. Guilding *et al.* (2000) found that for all SMA practices appraised, the perceived merit scores are clearly greater than the usage rate scores. Management accountants are encouraged not only to supply strategic information but also to take part in decision making (Bhimani and Keshtvarz, 1999). Theories on the adoption of SMA practices and the discussion on the change of company organization status are relatively little. Langfield-Smith (2008, p. 224) points out SMA "would be useful to understand how

techniques diffuse into more general practice and into organizational processes". One of the techniques is the establishment of social network for communication and cooperation.

2.2 Social network

A social network is an online community of people interacting over such topics as business, culture, and friendship. Before the establishment of social-networking services using the internet in the past decade (Palvia and Pancaro, 2010), social networks which are the maps of interconnections among socially related people have already played important roles in group dynamics and social structure (Degenne and Forse, 1999). Social networks are driven by an individual's need for communication, need for belongingness (Kiehne, 2004) and affected by gender, personality, education, and attractiveness. Besides these factors, modern communication technologies like cell phone and internet also have dramatic impacts on social-networking behavior (Kiesler *et al.*, 2002). Internet enables multimedia communication elements like instant e-mail messages, photos, video clips, etc. to be provided online.

The information systems literature reviews that the history of online social networks goes back to 1978 when Murray Turoff and S. Roxanne Hiltz established the Electronic Information Exchange System at the New Jersey Institute of Technology for the US Office of Civilian Defense, which allowed users to e-mail each other, sees the bulletin board and utilizes the server (Hiltz and Turoff, 1993; Wasserman and Faust, 1994). In 1997, sixdegrees.com came to be the first widely known web site to allow its users to establish an online social network (Freierman, 1998). This was followed by the online business network of Ryze.com and then Friendster.com, an online social-networking service that enjoyed popularity all around the world (Boyd, 2004). Popular web sites for social networking include Facebook, Twitter, MySpace and Tencent QQ (Palvia and Pancaro, 2010). Among them, MySpace was created in 2003 while Facebook was created in 2004. The user base for Facebook in 2010 exceeds 500 million users while that for Tencent QQ exceeds 400 million users in China.

The social-networking service Tencent QQ was first launched by Tencent with e-mail services only in 2005. Later it extended to other online networking site services like blog, IM, online album, mobile browser, etc. (Tencent, 2010a). The company revenues primarily come from internet value-added services, mobile and telecommunication value-added services and online advertising business. Both the market share and the growth of SNS services of Tencent QQ are the highest in China. Company rapid growth in the past few years arouses study interest in the company life cycle.

3. Organizational life cycle and SMA

There has been abundant literature to discuss company development in relation to different life cycle stages (Greiner, 1998; Kazanjian, 1998; Miller and Friesen, 1983, 1984). These stages are commonly categorized as start-up, growth, maturity and decline. Since the incorporation of Tencent in autumn 1998, it has successfully passed through the start-up stage and is currently in the growth stage.

3.1 Start-up stage

The start-up stage of a company is the period in which the new company attempts to develop further after establishment. For business strategies, the main concerns

for the company in this period are securing financial resources for company survival and growth, getting customer acceptance for its products and/or services and establishing legitimacy (Jawahar and McLaughlin, 2001). Company strategies include:

- ensuring that the company has access to critical resources by building up linkages with external partners; and
- developing the content of and context for business strategies.

The key challenge for the company is the development and implementation of strategies for the business (Jawahar and McLaughlin, 2001). Thus, a proposition can be developed as:

- P1.* During the start-up stage of an SNS service company, Tencent engages in product development to obtain founding resources and market so as to enhance market share. Typical approaches include free service strategy and value-added services.

3.2 Growth stage

Companies move to the new stage in business if they continue to grow after the start-up stage. The company in this stage is likely to establish a more formalized company structure, more coordinated internal processes and systems (Smith *et al.*, 1985) as well as more analytical, more complex and better integrated decision-making methods (Miller and Friesen, 1984). Company strategies in the growth stage are stabilizing production and product or service reliability, matching demand increases, maintaining cash flow and formalizing organization structure (Jawahar and McLaughlin, 2001). Companies that formulate initial public offering (IPO) for raising finance through stock exchanges face additional concerns and challenges. They have no proper performance records with the public markets and need to overcome the liability of market newness (Certo, 2003). This involves approaching investment banks, pension fund managers and other institutional investors, and possibly seeking venture capitalist backing. Venture capitalists can be particularly valuable for young, fast growing organizations as their involvement signals that the company has been through a rigorous due diligence process and is likely to be financially viable (Zahra and Hayton, 2005). They can also provide certification when the organizational goes public (Megginson and Weiss, 1991). The second proposition is hence developed as:

- P2.* During the growth stage of an SNS service company, Tencent engages in product financing through capital market. Typical approaches include listing shares on stock exchanges.

To match product/service demand and to maintain cash flows (Jawahar and McLaughlin, 2001), the IT company can develop and apply IT applications for handling their e-commerce transactions of customers as side-line results of providing online financing services together with the SNS services provided. The funds generated in e-commerce applications can help own trade financing needs. Thus, a proposition can be set as:

- P3.* During the growth stage of an SNS service company, Tencent utilizes online trading services provided to assist its own trade financing needs.

4. Research methods

The research methods are based on a case study approach for investigating into the three propositions. Yin (1994) stated that the case study is useful to investigate on a phenomenon that is not completely studied. SNS is one emerging popular culture service while Tencent is the largest and most significant SNS service provider in China. Thus, a single case study using Tencent is appropriate to analyze the issues highlighted in the previous section.

In the current study, data utilized are mainly the archival data from company reports and newspaper clippings collected during July-September in 2010 and updated in early March 2011. Hong Kong Stock Exchange collects archives of listed company annual reports, and web services like Baidu.com collect archives of newspaper clippings of companies. The former provide official data and information about the listed companies in Hong Kong. The newspaper clippings collected through Baidu search engine provides further data and information interpretation and analysis from various viewpoints.

Whitlow (2004) stated advantages of archival research include data already collected. They need not require further verification, for instance, the published company annual report has already been audited. Moreover, data may allow looking at variables that would be difficult or impossible to study directly, such as the company life cycle development in the current study.

5. Tencent

Tencent is a publicly owned holding company which provides internet and mobile phone value-added services and operates online advertising services in China. It was found by a Computer Engineer, H.T. Ma, in November 1998 in Shenzhen, China. Tencent's diverse services include web portals, e-commerce, games, and its well-known SNS service, Tencent QQ (QQ). It runs one of the largest web portals in China, QQ.com. From 2004 to 2009, the profit has grown by 11.8 times (Tencent, 2009a, b). Just for the second quarter of 2010, the quarter profits rose 60.7 percent year-to-year to USD281.8 million, driven by extremely strong revenue generated virtual goods sales in its various online games (Tencent, 2010b).

QQ was initially developed by Tencent in February 1999. It was first released as a *Network Paging* real-time communications service. Then other features were successively added such as chatrooms, games, personal avatars, internet storage, and internet-dating services (Appendix). Most of these features were free. Its variety of features and easy-to-use interface made it very popular, especially among teenage users. QQ is the most popular free IM computer program in China, and the number of simultaneous online QQ users exceeded 80 million (Tencent, 2009a, b). Since its entrance into Chinese households QQ has quickly emerged as a modern cultural phenomenon, now being portrayed in popular culture. Aside from the chat program, QQ has also developed many sub-features including games, virtual pets, and ring tone downloads (Appendix). Just in several years, QQ has become the most popular real-time communication service in China (CINIC, 2009). In less than ten years of incorporation, it has rapidly grown to have a market value of USD14.7 billion (Tencent, 2009a, b).

The CEO, H.T. Ma, said, "For me, now QQ is not the work, it is the interest" (Ma, 2010). Like many other IT developers, he developed the IT service mainly basing on his interest. He added, "Makes the company facing the shareholder, the management should be responsible to investors." He well accepts the idea of corporate responsibility to shareholders.

Tencent revenues from internet value-added services, mobile and telecommunications value-added services, and online advertising business increased by 62.2 percent to USD686.6 million for the second quarter of 2010 from USD423.3 million comparing to the second quarter of 2009 (Tencent, 2010b). This primarily reflected the continuous pursuit of QQ as a popular culture item, which resulted in the increased monetization of company major advanced casual games. At the same time, the cost of revenues increased by 58.7 percent to USD218.07 million for the second quarter of 2010 from USD137.4 million for the second quarter of 2009. This mainly reflected the increase in sharing costs, staff costs, equipment depreciation and telecommunications operators' revenue share. All these are favourable financial data that reflect significant increase in profit.

5.1 Start-up stage

The time from company incorporation in November 1998 to mid-2004 was regarded as the start-up stage of Tencent. The IM service platform "QQ" was formally launched in February 1999, a quarter after the company incorporation. After years of high business growth, in mid-2004, Tencent went for stock listing at Hong Kong Stock Exchange. For this stage, the CEO, Ma (2010), mentioned:

We had not thought originally what we could become. We only thought we had the opportunity to do and to exercise our strong points. We didn't mind the return was minute.

This matches with Greiner's (1972, 1998) early organization life cycle development through creativity. Enterprise founder devoted much efforts and time in establishing organization and developing products in early stage of the organizational life cycle.

5.2 Growth stage

Emphasized by Ma, the company focuses on finance in the growth stage:

First is financing, second is to enhance the company image, and third is the stock listing with stock option that can be exercised in the future. It helps attracting and retaining high quality people (CEO, Tencent) (Ma, 2010).

Ma has valued much on financing which is followed by teamwork and human resources. Tencent went for stock listing on Hong Kong Stock Exchange in mid-2004 for uplifting the company to its growth stage. The company moved from private to public ownership by undertaking an IPO. The process involved preparing the company for a greater level of scrutiny from external capital markets and developing the relationships with the regulator, share issue advisors, underwriters and financial institutions, especially the bank (Filatotchev and Bishop, 2002). Control is transferred from the several directors close to Ma to a larger and broader group, including external investors. Greiner (1972) states it is the organization growth through delegation. More authority was transferred to other directors so as to achieve growth in corporate finance through coordination of the management team.

6. Discussion

6.1 Proposition in start-up stage

Using free QQ membership and other value-added services in SNS, Tencent well attracts many potential customers. Tencent provides QQ members free basic e-mail communication service. Though the free membership strategy does not lead to direct

income immediately, it forms a great potential market share to be shared. Its online user accounts increased tremendously from 100 thousands in 1999 to 6,130 thousands in early 2009 (Tencent, 2009a, b). These accounts lay-down foundation to earn further income. At the same time, the free membership strategy charged the value-added services. QQ Game and QQ Music are attractive value-added services that generate revenue. Tencent developed the market through the free strategy, and resisted the competitors through the value-added services for earning profit. This has become Tencent's current most important source of income. It well utilized the cost leadership strategy to establish the online market using SMA spectrum (Inman, 1999).

Mobile QQ, picture and ring tone download provided value-added service income. Through the network registration of linking QQ number with mobile number, the mobile phone had become mobile QQ. It helped getting friends' messages immediately. The conversation could be in form of "PC to mobile phone" and "mobile phone to PC" instead of the original purely "PC to PC" mode. Short message service business volume increases. It could share income with the telecommunication operators. These show how Tencent utilized technology to help establishing market share.

Tencent knows what it can increase market share through providing instant Message Service (ICQ) to young customers. It runs ICQ to occupy the entire market in China. ICQ conforms to the Chinese consumer behaviour and communication methods. The Chinese users had enormous demand on the Chinese-based ICQ, while the traditional ICQ did not have the Chinese version. As a Chinese company, Tencent understands the customers, their demand, and entrusts with them to the product function. At the same time, Tencent picks up one major characteristic of young people – they hope they can be unique. Its virtual online product satisfies the need of young people. One SNS function, QQ Show even becomes the youngsters' fashion model. QQ Show has developed to be the young people's individual lifestyle (Kwok, 2009). Tencent successfully utilizes various new online communication technologies for product differentiation in SMA spectrum (Inman, 1999).

The CTO, M.H. Xiong, points out that there are three different levels of Tencent QQ contacts. For the first level, there are QQ friends. For the second level, users are who share the same interests and hobbies. While for the third level users are of the same age, from the same city, etc. Tencent is structuring its portal based on this three-dimensional approach. Xiong says that Tencent will enhance the combination of these three categories, to fulfill the user's needs and requirements and create the most sophisticated SNS by gradually refining the relationship management between users (Ma, 2010). In the future Tencent is planning to update products and services, and the company will shift the focus more on white-collar employees as well as urban citizens. It observes urban citizens have been growing in number.

From these evidences, *PI* is well supported. In the stage-up stage, Tencent well utilized cost strategy and engaged in product differentiation to obtain founding resources and market so as to gain market share and demand.

6.2 Propositions in growth stage

Sources of funds are important to a company in growth stage. After establishing the business model, management structure and accounting system of the company, Tencent went for IPO through Hong Kong Stock Exchange in mid-2004. It used USD161.3 million raised in the capital market to further develop and expand business. Around 65 percent of the funds were allocated to pursue and finance new strategic initiatives in the real-time

communications, entertainment and internet sectors, including potential strategic acquisitions that the company pursued. Around 20 percent of the funds were put for growing and expanding the existing business. The remaining portion of the net proceeds was to finance working capital and other general corporate purposes (Tencent, 2009a, b, 2010b). Thus, *P2* is supported. After the five years of start-up, Tencent had begun to engage in product financing through the capital market. It well utilized the typical approach of stock listing in international stock exchange for raising finance in the growth stage.

On the other hand, Tencent has entered the online trading business. It established the Paipai.com for online goods trading business. Through web advertisement, message preset, special recommendation, special display and so on service to obtain profit through this fast-growing goods trading platform. Tencent developed and incorporated e-commerce applications into SNS services (Appendix). It also launched Tenpay.com which mainly provides the payment service for the third party, for example, users of Paipai.com. Hence, Tenpay.com makes powerful backing of Paipai.com. It helps to shift the risk of online banking. The Paipai.com's buyers and sellers can utilize the funds in accounts. As the number of users grows day by day along with the Paipai.com, the Tenpay.com grows in transactions. Tencent uses these trading funds to carry on the investment which do not bear interest payment. Tenpay.com hence forms good-financing means. Thus, *P3* is supported. Tencent utilizes well the online payment service to meet its own daily needs of the operation funds. It strategically matches well its cash payment with cash receipt flows.

Tencent is seen to well utilize the Hong Kong Stock Exchange for IPO and to expand business with funds financed. At the same time, Tencent launched e-commerce applications, such as Paipai.com and Tenpay.com for trading business expansion and raising operation funds. Through its continuous development and addition of new features, Tencent attempts to keep its leading position in the SNS market.

7. Conclusions

Tencent continues to enhance the user value of SNS platforms by improving the basic social-networking functionalities as well as introducing different SNS applications that cater to the varying needs of user base. Tencent also increases effort to extend QQ to wireless platforms to further enhance its coverage and usage.

The evidence presented shows that Tencent has spent time and efforts in applying cost-leadership and product-differentiation strategies in the start-up stage, and the focus was on market and not on cost of operation. These strategies were successfully fulfilled using the appropriate internal accounting systems for administering company costs. Later, in the growth stage, financing channels as stock listing and trade financing were introduced. It raised shareholders' funds through stock listing in Hong Kong. Tencent coordinates well-corporate trading funds through the two online services, Tenpay.com and Paipai.com. Through the SNS services provided, the company started to become more external resources and opportunity focused in decision making. It emphasizes on strategic opportunities learnt from the experiences of other popular culture developers, such as Facebook.com, and implements this IT-based strategic business in providing SNS services.

The single case study is a valuable research method when used for the purpose of analyzing how people frame and solve problems (Barzelay, 1993). This case study

of Tencent provides specific investigation of how H.T. Ma developed and uplifted SNS service as QQ in China. It illustrates and analyzes reasons why different accounting and finance techniques are used by the company in different stages of the organizational life cycle. Nevertheless, the paper is based on a single case study, thus the findings may not be generalized to other popular culture service companies. Still this case study is able to show the interaction in different organizational life cycle stages. For example, Tencent emphasized much on its charged value-added services to compensate for the operation cost of free membership provided in the start-up stage. It could even be deduced that the company utilized this low-cost strategy to expand the customer base. Even in the later growth stage when the company raised funds in financial markets and used them in funding operation, there was still an explicit link back to free membership strategy to maintain its market share. The new financing means did not undervalue the importance of free membership for maintaining market share.

From a practitioner standpoint, the findings of this study show that one way to become a successful SNS service company for promoting popular culture is to develop good SMA techniques for matching development needs of different organization life cycles and then to design appropriate business strategies matched with management accounting.

Future research is suggested to base on this initial study to conduct a more in-depth study in which SMA is implemented in high-growth companies engaging in popular culture. This can be done through a survey of low growth versus high growth companies to examine the different ways in which the companies implement SMA techniques and systems in different stages of organizational life cycles.

References

- Barzelay, M. (1993), "The single case study as intellectually ambitious inquiry", *Journal of Public Administration Research and Theory*, Vol. 3 No. 3, pp. 305-18.
- Bhimani, A. and Keshtvarz, M.H. (1999), "British management accountants: strategically oriented", *Journal of Cost Management*, Vol. 13 No. 2, pp. 25-31.
- Bhimani, A. and Langfield-Smith, K. (2007), "Structure, formality and the importance of financial and non-financial information in strategy development and implementation", *Management Accounting Research*, Vol. 18 No. 1, pp. 3-31.
- Boyd, D. (2004), "Friendster and publicly articulated social networks", *CHI 2004 Conference on Human Factors and Computing Systems, April 24-29*, ACM Press, Vienna, pp. 1279-82.
- Boyd, D.M. and Ellison, N. (2007), "Social network sites: definition, history, and scholarship", *Journal of Computer-mediated Communication*, Vol. 13, pp. 210-30.
- Bromwich, M. and Bhimani, A. (1994), *Management Accounting: Pathways to Progress*, The Chartered Institute of Management Accountants Bromwich, London.
- Certo, S.T. (2003), "Influencing initial public offering investors with prestige: signaling with board structures", *Academy of Management Review*, Vol. 28, pp. 432-46.
- Chenhall, R.H. and Langfield-Smith, K. (1998), "The relationship between strategic priorities, management techniques and management accounting: an empirical investigation using a systems approach", *Accounting, Organizations and Society*, Vol. 23 No. 3, pp. 243-64.
- CINIC (2009), *25th Statistical Survey Report on the Internet Development in China*, China Internet Network Information Centre, Beijing.
- Degenne, A. and Forse, M. (1999), *Introducing Social Networks*, Sage, Thousand Oaks, CA.

- Filatotchev, I. and Bishop, K. (2002), "Resource and strategy roles of corporate governance and stock market response: an investigation of initial public offerings in the UK, 1999-2000", *Strategic Management Journal*, Vol. 23 No. 10, pp. 942-55.
- Freierman, S. (1998), "Screen grab; 6 degrees of networking", *New York Times*, Late Edition-Final, p. G10.
- Greiner, L.E. (1972), "Evolution and revolution as organizations grow", *Harvard Business Review*, Vol. 50 No. 4, pp. 37-46.
- Greiner, L.E. (1998), "Evolution is still inevitable", *Harvard Business Review*, Vol. 79 No. 3, pp. 55-64.
- Guiding, C., Cravens, K.S. and Tayles, M. (2000), "An international comparison of strategic management accounting practices", *Management Accounting Research*, Vol. 11 No. 1, pp. 113-35.
- Hiltz, S.R. and Turoff, M. (1993), *The Network Nation: Human Communication via Computer*, revised ed., MIT Press, Cambridge, MA.
- Inman, M.L. (1999), "Strategic management accounting", available at: www.accaglobal.com/archive/sa_oldarticles/43981 (accessed 28 February 2011).
- Jawahar, I.M. and McLaughlin, G.L. (2001), "Toward a descriptive stakeholder theory: an organizational life cycle approach", *Academy of Management Review*, Vol. 26, pp. 397-414.
- Kazanjian, R.K. (1988), "Relation of dominant problem to stages of growth in technology based new ventures", *Academy of Management Journal*, Vol. 30 No. 2, pp. 257-79.
- Kelikuru.com (2011), "China SNS brands Tencent QQ, Baidu, Kaixin001, Renren surface", available at: www.kelikuru.com/china-online-sns-tencent-qq-baidu-kaixin001-renren-surface (accessed 28 February 2011).
- Kiehne, T.P. (2004), "Social networking systems: history, critique, and knowledge management potentials", unpublished manuscript, University of Texas, Austin, TX, available at: [www.ischool.utexas.edu/~i385q/archive/kiehne_t/kiehne\(2004\)-sns.pdf](http://www.ischool.utexas.edu/~i385q/archive/kiehne_t/kiehne(2004)-sns.pdf) (accessed 4 March 2011).
- Kiesler, S., Kraut, R., Cummings, J., Boneva, B., Helgeson, V. and Crawford, A. (2002), "Internet evolution and social impact", *IT & Society*, Vol. 1 No. 1, pp. 120-34.
- Kwok, C.F. (2009), "Analysis of profit model of Tencent QQ", *Scientific Management*, Vol. 16 No. 2, p. 25.
- Langfield-Smith, K. (2008), "Strategic management accounting: how far have we in 25 years?", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 2, pp. 204-28.
- Langfield-Smith, K., Thorne, H. and Hilton, R.W. (2009), *Management Accounting: Information for Creating and Managing Value*, 5th ed., Chapter 1, McGraw-Hill, New York, NY, pp. 3-40.
- Ma, H.T. (2010), "“马化腾” (Ma Huateng)", available at: <http://baike.baidu.com/view/2365.html?wtp=tt#6#6> (accessed 4 March 2011).
- Ma, Y. and Tayles, M. (2009), "On the emergence of strategic management accounting: an institutional perspective", *Accounting & Business Research*, Vol. 39 No. 5, pp. 473-95.
- Megginson, W.L. and Weiss, K.A. (1991), "Venture capitalist certification in initial public offerings", *Journal of Finance*, Vol. XLVI, pp. 879-903.
- Miller, D. and Friesen, P.H. (1983), "Successful and unsuccessful phases of the corporate life cycle", *Organization Studies*, Vol. 4 No. 4, pp. 339-56.
- Miller, D. and Friesen, P.H. (1984), "A longitudinal study of the corporate life cycle", *Management Science*, Vol. 30, pp. 1161-83.

- Oracle ThinkQuest (2000), "Memes in popular culture", <http://library.thinkquest.org/C004367/ce6.shtml> (accessed 4 March 2011).
- Palvia, S.C.J. and Pancaro, R. (2010), "Promises and perils of internet based networking", *Journal of Global Information Technology Management*, Vol. 13 No. 3, p. 1.
- Rosender, R. (1995), "Accounting for strategic positioning: responding to the crisis in management accounting", *British Journal of Management*, Vol. 6 No. 1, pp. 45-57.
- Rosender, R. and Hart, S.J. (2003), "In search of strategic management accounting: theoretical and field study perspectives", *Management Accounting Research*, Vol. 14 No. 3, pp. 255-79.
- Seal, W. (2001), "Management accounting and the challenge of strategic focus", *Management Accounting Research*, Vol. 12 No. 4, pp. 487-506.
- Shank, J.K. (1989), "Strategic cost management: new wine, or just new bottles?", *Journal of Management Accounting Research*, Vol. 1, pp. 47-65.
- Shank, J.K. (1996), "Analyzing technology investments from NPV to strategic cost management (SCM)", *Management Accounting Research*, Vol. 7 No. 2, pp. 185-97.
- Simmonds, K. (1981), "Strategic management accounting", *Management Accounting*, Vol. 59, pp. 26-9.
- Simmonds, K. (1982), "Strategic management accounting for pricing: a case example", *Accounting & Business Research*, Vol. 12, pp. 206-14.
- Smith, K.G., Mitchell, T.R. and Summer, C.E. (1985), "Top level management priorities in different stages of the organizational life cycle", *Academy of Management Journal*, Vol. 28, pp. 799-820.
- Tencent (2009a), *Annual Report*, Tencent, Nanshan.
- Tencent (2009b), "Tencent's strikingly successful qzone", available at: <http://seekingalpha.com/article/179061-tencent-s-strikingly-successful-qzone> (accessed 4 March 2011).
- Tencent (2010a), "Announcement of the results for the three months ended 31 March 2010", available at: www.hkexnews.hk/listedco/listconews/sehk/20100512/LTN20100512240.pdf (accessed 4 March 2011).
- Tencent (2010b), *Interim Financial Report*, Tencent, Nanshan.
- Wasserman, S. and Faust, K. (1994), *Social Network Analysis: Methods and Applications*, Cambridge University Press, Cambridge.
- Whitlow (2004), "Archival and survey research", available at: www.camden.rutgers.edu/~bwhitlow/Courses/Experimental/ARCHIVES04/sld001.htm (accessed 4 March 2011).
- Yin, R. (1994), *Case Study Research: Design and Methods*, 2nd ed., Sage, Thousand Oaks, CA.
- Zahra, S.A. and Hayton, J.C. (2005), "Organizational life-cycle transitions and their consequences for the governance of entrepreneurial firms: an analysis of start-up and adolescent high technology new ventures", in Filatotchev, I. and Wright, M. (Eds), *The Life Cycle of Corporate Governance*, Edward Elgar, Cheltenham, pp. 32-56.

Further reading

- Bhimani, A. (1993), "Indeterminacy and the specificity of accounting change: Renault 1898-1938", *Organizations and Society*, Vol. 18 No. 1, pp. 1-39.
- comScore Media Matrix (2006), "Social networking sites continue to attract record numbers as MySpace.com surpasses 50 million U.S. visitors", in May News release Reston, VA, available at: www.comscore.com/press/release.asp?press=906 (accessed 14 July 2010).
- Danah, B. and Nicole, E. (2007), "Social network sites: definition, history and scholarship", *Journal of Computer-Mediated Communication*, Vol. 13 No. 2, pp. 516-29.

- Hansen, L.L. (2010), "Celeb 2.0: how social media foster our fascination with popular culture", *Choice*, Vol. 47 No. 10, p. 1.
- Hill, R.A. and Dunbar, R.I.M. (2003), "Social network size in humans", *Human Nature*, Vol. 14 No. 1, pp. 53-72.
- Hitwise (2006), "Hitwise, the world's leading online competitive intelligence service", News release, New York, NY, available at: www.hitwise.com/press-center/hitwiseHS2004/social-networking-june-2006.php (accessed 30 July 2010).
- Jones, H. and Soltren, J.H. (2005), "Facebook: threats to the privacy", unpublished manuscript, Massachusetts Institute of Technology, Cambridge, MA, available at: <http://ocw.mit.edu/NR/rdonlyres/Electrical-Engineeringand-Computer-Science/6-805Fall-2005/8EE6D1CB-A269-434E-BEF9-D5C4B4C67895/0/facebook.pdf> (accessed 2 March 2011).
- Kadushin, C. (2005), "The development of social network analysis: a study in the sociology of science", *Journal of Social Structure*, Vol. 6 No. 1, JoSS Book Review of Linton C. Freeman, available at: www.cmu.edu/joss/content/articles/volume6/Kadushin/index.html
- Zizi, P. and Alan, R.M. (2000), "Predictors of internet use", *Journal of Broadcasting & Electronic Media*, Vol. 44 No. 2, pp. 175-96.

Appendix. Selected Tencent QQ services (Source: www.tencent.com)

QQ



Tencent QQ provides total solution for internet-based IM platform. It supports comprehensive basic online communication functions, including text messaging, video and voice chat as well as online (offline) file transmission. It also supports cross-platform communication between PC and wireless terminals. The new QQ2009 edition is fully compatible with Windows XP, Vista, Linux, Mac and other systems.

QQ.com



QQ.com (www.QQ.com) is China's largest portal in Chinese integrating news, interactive communities, entertainment products and widely used basic services. The web site serves Chinese users around the world and is dedicated to becoming trend-setting and mainstream internet media platform with the greatest communication capacity and interactivity. Through its broad real-time news coverage and full range of information and entertainment services, the web site provides a rich and creative online life to hundreds of millions of internet users.

QQ Doctor



QQ Doctor is a free security software developed by Tencent. It is an assistant for internet users to protect and optimize their system, and can effectively detect all kinds of risks including prevalent Trojans and system vulnerability. With its ease of use and comprehensive functions, it is suitable for internet users everyday.

QQ Download



QQ Download is a top-speed, clean and simple download tool introduced by Tencent in 2006. Using the multi-resource-based Hyper-Threading Technology, it can make cross-protocol downloads and transmits internet resources' in the fastest way possible. In addition, it also seamlessly integrates resources search and viewing with resources download, and brings users a one-stop download experience.

QQ Mail



QQ Mail is one of the key products of Tencent's online platform services. QQ Mail users receive popup reminder when new e-mail arrives. It also offers various features, including blog reader, 1G-sized attachments as well as audio and video messages. QQ Mail is popular and widely recognized by online users.

QQ Pinyin



QQ Pinyin is an intelligent input-method software which Tencent introduced in November 2007. With clean interfaces and free from advertising information, it offers independently designed functional modules and powerful scalability to allow smooth switching between the various input styles. By adopting multi-level upload, pre-reading and asynchronous upload technologies for its thesaurus, QQ Pinyin effectively increases input speed. It enables users to easily increase their typing speed and free themselves from the input burden and enjoy writing and life.

QQ Player



QQ Player, a local multi-media player introduced by Tencent, supports film and music files in any formats. With a lightweight, multi-playback engine, QQ Player taps into the hardware acceleration capacity of the new-generation display card, and features smaller, faster and more seamless advantages, promising excellent video and audio enjoyment over internet, free of any plug-ins and advertisements.

QQ Software Manager



QQ Software Manager currently provides users with the download, installation, upgrade and un-installation of most popular client software products from Tencent, the most complete and reliable software products that secure users to enjoy one-stop service and to install the latest, most stable version. The innovative one-key-to-install function solves various problems when entry-level users install software; and also allows advanced users to save time and effort.

Paipai.com



Paipai.com (www.paipai.com) is Tencent's online trading platform which went into service on 12 September 2005 and was publicly launched on 13 March 2006. It is currently the fastest-growing well-known e-commerce web site in China.

Paipai.com consists of a number of major channels, including women, men, online games, digital products, mobile phone, life, sports, students, special offers, mums and babies, toys, value replenishment, superior quality products and hotels. Meanwhile, it also provides feature products and services, including proxy overseas purchases, personalized customization, brand zone, red packets and gift zones. Paipai.com has long committed to building a fashionable and trendy brand culture.

Tenpay.com



As a leading platform in China for online payment application and services, Tenpay is devoted to providing individual and corporate users with secure, convenient and professional online payment services. Tenpay focuses on building an integrated payment platform with the individual access, corporate access and value-added services as core business lines, embracing B2B,

B2C and C2C. Tenpay provides individual users with complete and advanced account services, including collection, payment, trading inquiry management, credit agency, and has launched a series of personalized account applications. Meanwhile, Tenpay also provides corporate users with a professional payment clearing platform and many powerful value-added services.

About the author

C.C. Steve Fong is an Associate Professor in the School of Business at Macao Polytechnic Institute, Macau. He mainly teaches Management Accounting and Financial Accounting at the Institute. His major research interests include behavioral and organizational aspects of management accounting, accounting communication through the internet, and corporate governance disclosure. C.C. Steve Fong can be contacted at: ccfong0618@yahoo.com.hk

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.