

# Research on Performance Evaluation of Enterprise M&A Based on Balanced Score Card Perspective

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**Abstract:** With the continuous development of the economy, the role of mergers and acquisitions in listed companies to achieve industrial upgrading, optimize resource allocation and cope with the changing market environment is increasingly important. The traditional M&A performance evaluation method focuses on the evaluation of financial factors [1], and pays great attention to the financial indicators such as income and profit after the merger, but often ignores the non-financial factors such as customer relationship, internal process and human resources. The impact of research, the drawbacks of traditional performance evaluation methods are increasingly revealed. The Balanced Scorecard adds non-financial indicators to M&A performance evaluation [2]. It is no longer only concerned with the financial aspects of M&A. It also incorporates non-financial factors such as customer level and internal processes after M&A into M&A performance evaluation, more comprehensively. Make a complete and objective evaluation of M&A performance. This paper analyzes Ctrip M&A based on the four-dimensional theory of balanced scorecard, namely financial coordination, management coordination, business synergy and market advantage.

## 1. Introduction

The Balanced Scorecard provides an effective analysis and judgment system for performance evaluation [3]. Chen Mukun and Qi Zhongying (2006) believe that the purpose of M&A is no longer to achieve financial improvement, but to achieve financial, operational and management aspects. Synergistic effect [4]. Yang Song and Wu Jishun (2007) believe that non-financial indicators are very important for the development of enterprises, and sometimes affect the future of enterprises [5]. Therefore, with the idea of a balanced scorecard, the non-financial indicator customers, internal processes, learning and growth are combined with financial indicators to evaluate the performance of aviation companies [6]. Zhang Hua, Guan Yunmin (2010) summed up the M&A performance evaluation method of the enterprise, and believed that the new performance evaluation method of the balanced scorecard can comprehensively and objectively reflect the performance of the enterprise [7]. This method is also very important in the performance evaluation of M&A. important.

Therefore, the M&A performance evaluation framework based on the Balanced Scorecard is shown in Fig.1.

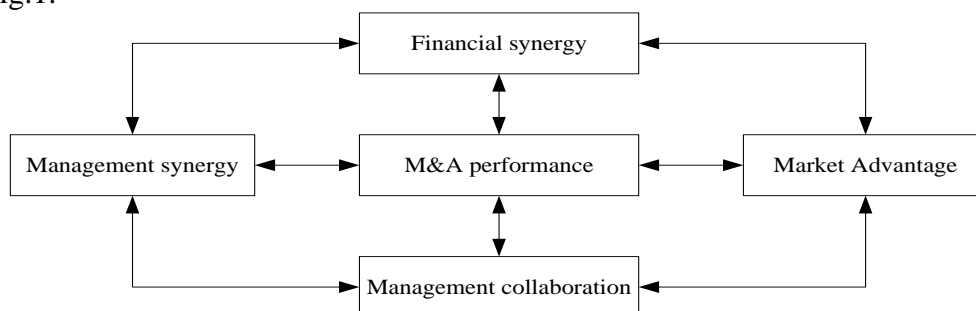


Figure 1. Balanced Scorecard M&A Performance Evaluation Chart

## 2. M&A review

Ctrip announced on October 26, 2015 that it had reached a share swap agreement with Baidu. According to the transaction, Baidu will replace 0.725 shares of Ctrip with 1 share of Qunar.com. After the transaction is completed, Baidu will have Ctrip common stock representing approximately 25% of Ctrip's total voting rights. Ctrip will have approximately 45% of the total voting rights of Qunar. By then, Ctrip will become the largest shareholder of Qunar, and the two companies will also The competitive relationship is transformed into an ally.

Analysis of the motivation of the merger, on the one hand, Ctrip is facing the new market and competitors to develop a rapid market atmosphere, especially the besieged network, Tuniu, ant honeycomb and many other online tourism industry new companies besieged, and around the car rental Citizens such as catering and other tourist peripheral businesses have greatly shaken Ctrip's competitive advantage in the industry. Ctrip's bargaining power has gradually weakened, profits have continued to decline, and market share has gradually been eroded. Coupled with the fierce competition in the online travel market, tourism consumers have more choices. The convenient and fast information search channel forces online travel to lower the price of products among enterprises, thus making profits continue under the intense price war. The decline, which directly led to Ctrip.com encountered a major development bottleneck.

On the other hand, due to the good prospects of the domestic tourism industry, the domestic and international capital predators have joined in, which has led to the intensification of competition in the online tourism market. For example, strong companies such as Ctrip have gained market share through continuous mergers and acquisitions, resulting in similar places like Qunar.com. It is becoming increasingly difficult for weaker companies to maintain their markets through price wars. According to the 2014 financial statements of Qunar.com, the company's losses amounted to 1.85 billion yuan, and the loss exceeded the total revenue of 1.756 billion yuan in the year. In the second quarter of 2015, there was still a net loss of RMB 815.7 million.

## 3. Ctrip M&A performance evaluation based on balanced scorecard perspective

### 3.1. Evaluation of Financial Collaborative Dimensions

Table.1. Table of Changes in Financial Indicators before and after Ctrip Mergers and Acquisitions

Indicator classification	Indicator name	Before the merger		After the merger
		Fourth quarter of 2014 <sup>①</sup>	Third quarter of 2015 <sup>②</sup>	Fourth quarter of 2015 <sup>③</sup>
Solvency	Current ratio	1.34	1.36	1.21
	Assets and liabilities	66.84%	73.84%	46.41%
	Long-term debt ratio	26.86%	36.36%	19.95%
Profitability	Roe	0.88%	18.24%	3.37%
	Operating profit margin	-2.05%	3.56%	3.50%
Development ability	sales growth rate	36.39%	47.66%	48.33%
	Net profit growth rate	-89.89%	504.42%	2518.79%

From the data in the table, it can be seen that in the fourth quarter of 2015, compared with the third quarter, the solvency and development capacity have greatly improved, and the profitability has declined. The return on net assets has dropped significantly. This is because the fourth The quarterly owner's equity grew rapidly compared to the third quarter, and the financial situation in 2015 was significantly higher than in 2014. On the whole, after Ctrip's merger and acquisition, the financial capability has improved and the financial synergy effect has been achieved.

### 3.2. Management Collaborative Dimension Evaluation

Ctrip and Qunar.com, both of which belong to the online travel industry, will change from competition to mutual cooperation through merger. Through merger, the resources and capabilities of the two companies can be combined and used together. After Ctrip and Qunar. High-level exchanges,

thus infiltrating the corporate culture and business philosophy of both parties. In addition, Ctrip's acquisition of Qunar.com can reduce R&D and staff training costs. Qunar.com is in a leading position in obtaining technical quotations from various websites. After Ctrip's acquisition of Qunar.com, it can save the cost of developing similar technologies and reduce costs. Moreover, after the merger, there is no need to worry about the technical competition between competing companies, and save some expenses, so Ctrip can explore new revenue growth points and develop high-revenue projects. In addition, Ctrip and Qunar are still after each other. Independent development, which can reduce the staff's incompatibility with the company's integration, and save the education and training expenses necessary for new recruits.

### **3.3. Evaluation of the business synergy dimension**

The merger of Ctrip and Qunar.com reduces conflicts such as price wars between companies in the online travel industry and conflicts with upstream suppliers. The resulting new Ctrip system has an obvious advantage in the entire industry.

In 2015, Ctrip and Qunar.com's online distribution channel transaction volume accounted for approximately 66.5% of the total online ticket booking market, accounting for nearly 2/3 of the online market share. The transaction volume of ticket business generated by Qunar.com and Ctrip accounted for 34.1% and 32.4% of the total transaction volume of the online ticket reservation market respectively.

### **3.4. Market advantage evaluation**

After Ctrip's acquisition of Qunar.com, it has formed a new Ctrip system with a huge market share and a growing user base, both in terms of user scale and transaction size. This status enhances its ability to bargain with upstream suppliers, making the role of upstream suppliers in the industry chain weakened. Major online travel sites such as Ctrip, Qunar.com and Tuniu continue to compete for market share through the layout of upstream suppliers. The traditional offline travel agency has been weakened due to its poor flexibility, narrow customer sources and lack of core competitiveness, and its role in the entire tourism industry chain has been weakened.

With the popularity of smart phones and the era of mobile Internet, many Internet companies have begun to move to the mobile side, making and maintaining official apps, and draining users to the mobile site on the official website. Therefore, for the current online travel companies, the mobile side is the focus and hotspot of competition. Ctrip and where to go from the three months after the merger, the number of APP active users has leapfrogged, far exceeding competitors such as Tongcheng and Tuniu.

## **4. Conclusion and enlightenment**

The acquisition made Ctrip's share price rise significantly, reaching Ctrip's goal of increasing share price through mergers and acquisitions to increase the total market value, turning competitors into partners, increasing market share, and the acquisition made Ctrip's Profitability, solvency and development capability have all improved, and financial synergies have achieved initial results. Where Ctrip's mergers and acquisitions have had a positive impact on Ctrip's share price, profit and market share, so this is a Meet market expectations and achieve successful acquisitions.

This acquisition not only has a huge impact on the parties, but also profoundly affects the entire online travel market. After Ctrip's acquisition of Qunar.com, it is foreseeable that there will be a large number of integration and mergers in the upstream and downstream industry chain in the future. After Ctrip stabilizes the first position in the online travel market, its position in the air ticket and hotel field is unbreakable, so the competition focus of the industry. Will turn to the holiday market, from leisure travel and high-end tourism. In addition, after being freed from the blind price war, companies will begin to focus on improving their service quality, consolidating the connection with consumers, and bringing the market back to rationality. In addition, the tourism industry will also have more chemical reactions with the Internet and the financial industry, providing diversified travel services and even generating new profit models. Finally, this merger will also promote the transformation and

upgrading of China's tourism industry to a certain extent.

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