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**ALIBABA GROUP HOLDING LIMITED:
WHY AND HOW DOES LEADERSHIP MATTER TO A
COMPANY'S GROWTH, SUCCESS
AND FUTURE PROSPECTS?**

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HISTORY: THE BIRTH OF ALIBABA

In the 1990s, China was going through a period of major economic reform and starting to open up to foreign investment. On a business trip to the United States, Jack Ma was introduced to the Internet by a friend. Back then, there was minimal or no information about China on the Internet. Sensing a good business opportunity, Jack and his friend founded China Pages, a business directory comprising various Chinese companies seeking customers abroad. In doing so, he was quick to identify a market gap and leverage on resources available to create a novel business opportunity.

Senior Lecturer Dr. Kumaran Rajaram prepared this case based on published sources. This case is intended for class discussion and learning, and not intended as source of research material or as illustration of effective or ineffective management.

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ALIBABA'S BACKGROUND: PAST AND PRESENT

Alibaba Group Holding Limited is an operator of online mobile marketplaces in retail and wholesale trade. They are a multinational technology conglomerate that has a total of 115 subsidiaries with 785 companies. Some notable platforms owned by Alibaba include Taobao, Tmall, Aliexpress and Lazada.

The company is involved in logistics, retail and wholesale, local consumer businesses, cloud services including network virtualization services, large scale computing, security and big data analytics. They also partake in innovation initiatives and digital media and entertainment. The company has an interest in Ant Financial Services, which provides digital payment processing services to both online and offline sellers and buyers via Alipay.

Their headquarters is located in China. They also have offices located in several countries around the world including Singapore, India, the United Kingdom (UK) and the United States (US). Over the past decade, Alibaba has seen exponential revenue growth. In the fiscal year ended March 2020, the company reported a 35.3% increase in revenue compared to FY2019.

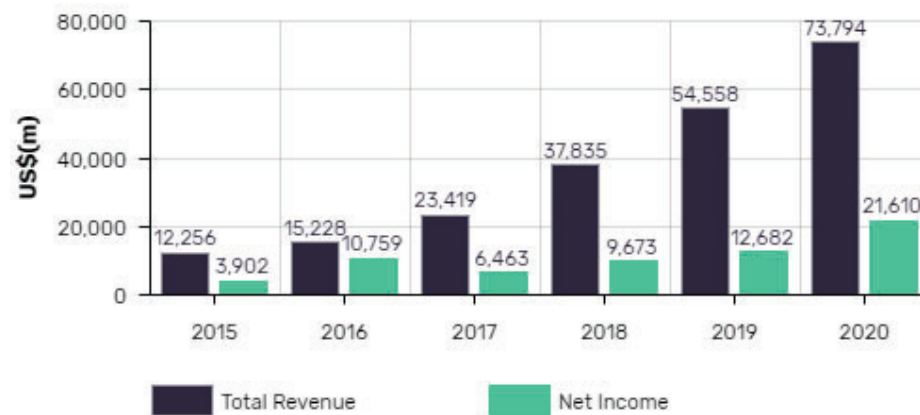


Figure 1: Total Revenue and Net Income ¹

The company was established in 1999 by 18 people including (and led by) Jack Ma, a former English teacher from Hangzhou, China. According to Alibaba Group's website, the company's founders shared a common belief that the Internet would help small enterprises take advantage of innovation and technology to sell internationally and thus to grow and compete with medium-sized enterprises.

In recent years, Alibaba has seen significant reshuffles in their management. In 2019, it was revealed that CFO Maggie Wu would take over from Executive Vice-Chairman Joe Tsai to oversee the company's strategic investment unit² Prior to that, the company announced that its CEO Daniel Zhang would succeed executive chairman Jack Ma and take over as chairman of the board³

On the company's 20th anniversary, Jack Ma formally retired from Alibaba. Nonetheless, he continues to remain a driving force at the company, as a lifetime member of the Alibaba Partnership – a handful of select employees who wield great power over the company's board and leadership along with its bonus pool. He also remains in control of the parent company of Alipay, a payment processing business

¹ MarketLine. (2021). Alibaba Group Holding Ltd. Retrieved from https://advantage-marketline-com.uoelibrary.idm.oclc.org/Company/Summary/alibaba-com_limited_gd_34747

² Horwitz, J., & Goh, B. (2019, June 18). Alibaba puts CFO in charge of investment in major management reshuffle. Reuters. Retrieved from <https://www.reuters.com/article/us-alibaba-china-idUSKCN1TJ0AH>

³ Choudhury, S. R. (2018, September 9). Alibaba announces Jack Ma succession plan: CEO Daniel Zhang to take over as chairman in a year. CNBC. Retrieved from <https://www.cnbc.com/2018/09/10/alibaba-jack-ma-succession-plan-daniel-zhang-to-take-over-as-chairman.html>

which competes with WeChat (owned by Tencent Holdings). A Chinese internet veteran and longtime critic of Alibaba, Fang Xingdong, wrote on his social media WeChat account: "As long as Jack Ma has the lifetime partnership, he will be in charge of the Alibaba empire". Fang also wrote that this event represented Jack Ma's third retirement – he had previously stepped down from his role as president of the company in 2006 and as chief executive in 2013.

EMBRACING OR CREATING CHANGE: ALIBABA'S CORE VALUES

Alibaba's leadership believes that it is critical to either embrace or create change. It upholds six core values that are clearly indicated to their staff, stakeholders, and customers.

The six core values are:

1. Commitment. Alibaba is dedicated to understanding and catering to the needs of Chinese businesses as well as small and medium enterprises around the world;
2. Teamwork. Employees are expected to work collaboratively and cooperatively. Alibaba's management encouraged employee input to make decisions pertaining to team objectives, as all employees were expected to commit to those wholeheartedly;
3. Embrace Change. Alibaba's employees are to be flexible, innovative and adapt to new working conditions and practices. Alibaba's founder, Jack Ma, was said to be a living example of this value;
4. Customer First. Alibaba's first priority was its users and paying customers;
5. Integrity. Alibaba's employees are expected to maintain the highest standards of integrity and deliver on their commitments to uphold trust with their stakeholders; and
6. Passion. Employees are encouraged to be passionate in serving their customers or in developing new services.

THE FACE OF ALIBABA: JACK MA'S ETHOS

As a leader, Jack Ma was known for his openness, his democratic approach to leadership, and his idiosyncrasies. He openly acknowledged his lack of technical competencies, declaring that he had never written a line of code in his life despite leading one of the world's largest e-commerce firms. However, he believed in investing in talents who could compensate for his weakness with an abundance of technical expertise. It is arguable that his belief that employees should be more competent in technical skills than their leaders put Alibaba on the right path to excellence. He also created opportunities for his staff to showcase their abilities and gain company-wide recognition.

Jack Ma went above and beyond to encourage staff to feel comfortable. To put his employees at ease and build trust, he often used humour to establish the perception that he was a fun and approachable person, and encouraged employees to share their ideas freely. During Alibaba's 18th anniversary event, he dressed up as Michael Jackson and performed on stage for his employees. Jack Ma also showed employees that he cared for them individually, by taking the time and effort to acknowledge and bless hundreds of newlywed Alibaba employees. This was very well received, as weddings were a big celebratory function, especially in traditional Chinese culture.

Jack Ma built his first Alibaba team through a group of close friends, by advocating his dreams and aspirations so fervently that they made it their own as well. Journalists often called him "Crazy Jack" due to his animated speaking style and impudent ambitions, but lauded his flair in teaching and public speaking.

He openly acknowledged his limited knowledge of technology, but never let this flaw hinder him; instead, he leveraged on his instructional capabilities to teach, encourage and inspire others to build the best products and services they could.

Jack Ma's emphasis on creativity was evident: employees report that he consistently encouraged his team to speak their mind, even about the weirdest and craziest ideas, since they may potentially serve as free advertising for Alibaba. He staunchly believed that such openness enabled his employees to feel secure and build trust in the workplace.

He consistently cultivated strong values and drive for his team to work towards the company's goals. In his view, clear and heartfelt communication leads to high loyalty teams. His humility and growth mindset drove him to go beyond conventional leadership practices in China: he studied and applied Western leadership concepts and cultural nuances so that he could lead his organization in a global environment with the best of both worlds.

Many have wondered how Jack Ma transcended his humble beginnings to build a multi-billion-dollar company. He grew up in China with very little exposure to the wider world and had a rocky start to his adult life, having failed his university entrance exams twice⁴ Subsequently, he applied for 30 jobs in his home city and was rejected by every single one. While delivering a speech at the University of Nairobi in 2017, he famously recounted the story of being the only person out of 24 people who was rejected for a job at KFC. He was also the only applicant who did not get hired when he had applied to be a police officer⁵ Despite his struggles, Jack Ma managed to pull through. "If you cannot get used to failure... if you can't get used to [being] hit, how can you win?" Although rejection was painful, it helped him to prepare for his entrepreneurial future.



Figure 2: Jack Ma Delivers a Farewell Performance at his Retirement Party⁶

⁴ Denning, S. (2019, November 23). Why Jack Ma's legacy is larger than Alibaba. Forbes. Retrieved from <https://www.forbes.com/sites/stephaniedenning/2019/11/23/why-jack-mas-legacy-is-larger-than-alibaba>

⁵ Montag, A. (2017, August 10). Billionaire Alibaba founder Jack Ma was rejected from every job he applied to after college, even KFC. CNBC. Retrieved from <https://www.cnbc.com/2017/08/09/lesson-alibabas-jack-ma-learned-after-being-rejected-for-a-job-at-kfc.html>

⁶ Togoh, I. (2019, September 11). Jack Ma marks Alibaba retirement with rockstar party. Forbes. Retrieved from <https://www.forbes.com/sites/isabeltogoh/2019/09/11/jack-ma-marks-alibaba-retirement-with-rockstar-party/>

LEADERSHIP IN ALIBABA

Charisma and Courage

Back in the early 2000s, when Alibaba was still largely unknown to the world, Masayoshi Son, founder of Japanese multinational conglomerate Softbank, said that Jack Ma “had no business plan [and] zero revenue”. However, he chose to invest \$20 million in the company as “his eyes were very strong. I could tell from the way he talked: he has charisma, he has leadership”.

Visionary

In 2003, Jack Ma created a new company, the consumer-to-consumer online marketplace Taobao. During this phase, American online auctions company eBay – in collaboration with the Chinese company EachNet – had a market share of 80 percent. However, Jack Ma felt that eBay and EachNet’s policy of charging users a transaction fee was a crucial weakness in its business model. Taobao adopted a different strategy: it did not charge such a fee, but rather, made money from online advertising and the sale of additional services to users. Jack Ma’s intuition proved correct – by 2007, Taobao had a 67 percent market share, and eBay conceded majority ownership of its Chinese operations.

Leadership Strategy

Leadership is one key aspect that has enabled Alibaba’s success. At the Forbes Global CEO Conference in 2019, Jack Ma said that he and his team had developed a robust leadership system which values new ways of thinking and working. According to him, they had built a system which could discover, train, and create leaders in their workforce. This involved studying the United States Declaration of Independence, the British parliament system and Roman politics to come up with a true meritocracy. The team had reportedly spent around a year discussing the system and debating its finer points so that its resultant leaders could fight for the vision, mission and values of the company.

Jack Ma believed that the company had a strong leadership strategy in place that could endure for decades to come⁷ Although he was adamant that he alone would not be able to keep the company alive, his leadership was no doubt a significant contributor to the company’s success.

Flexibility in Leadership Approaches

Over the years of operating Alibaba, Jack Ma experimented with several management and leadership styles before finding one that served the company well. Around the time of the company’s launch, Ma had to take charge as he was the only person who was Internet-savvy in his small province. He also had to prove to people that his non-traditional business model would work. As such, he had to be the executive decision maker for the company and all matters involving the business. As suggested by Ee and Yazdanifard⁸ this style, was somewhat paternalistic and dictatorial.

When the company grew and expanded, Jack Ma adopted a leadership style which was more collaborative and facilitative. He mostly used a persuasive management style throughout his career and has demonstrated a democratic style of leadership as well. His flexibility in choosing the appropriate leadership style to use at any given moment has enabled him to steer the company in the right direction.

⁷ Gilchrist, K. (2019, October 17). Alibaba’s Jack Ma spent 10 years preparing for his retirement. CNBC. Retrieved from <https://www.cnbc.com/2019/10/18/alibabas-jack-ma-spent-10-years-preparing-for-his-retirement.html>

⁸ Ee, C. T. J., & Yazdanifard, R. (2015). The review of Alibaba’s operation management details that have navigated them to success. *Global Journal of Management and Business Research*, 15(4), 1–7. Retrieved from https://globaljournals.org/GJMBR_Volume15/8-The-Review-of-Alibabas-Operation.pdf

Strong Conviction

During an interview in 2015, Jack Ma emphasized that Alipay was the key to Alibaba for its continued success in e-commerce. There was much uncertainty owing to Alipay operating in the grey area of financial regulation. Yet, Jack Ma's courage to challenge the status quo, willingness to take risks and work around issues reinforced his strong belief and conviction that it would bring Alibaba success. He was ultimately right as Alipay's customer base grew to billions of users across the world.

Work Culture and Ethos

Jack Ma had a compelling vision from the very beginning. He thought big and set ambitious goals. Shortly after founding Alibaba, he told a journalist, "We don't want to be number one in China. We want to be number one in the world."⁹ He even filmed a meeting to document the moment for his company's archives.

Jack Ma's charisma and persuasiveness enabled him to inspire employees and investors alike. In 2014, he shared his leadership philosophy with the world: "30% of all people will never believe you. Do not allow your colleagues and employees to work for you. Instead, let them work for a common goal. It is a lot easier to unite the company under a common goal rather than uniting the company around a particular person" (Pris, 2014). He built a culture of participation and encouraged all employees to speak their mind, no matter how absurd or implausible the ideas may be.

Trusting Employees

Jack Ma's vision not only steered his company to success but also changed China altogether. He proved that an innovative enterprise could flourish under a Communist Party regime which was once hostile to ambitious capitalists (Chen & Ramli, 2018). Despite that and having pulled off the largest IPO in history in 2014, Jack Ma admitted that he did not know the best way to run his company. Nevertheless, he emphasized his distaste for empire thinking. He believed that everybody should be connected to each other and help each other, likening a successful company to an ecosystem (Montini, 2014).

He also said that everybody should be prepared to make mistakes, and to give themselves room to experiment, grow, and learn from others regardless of their standing: "A leader should never compare his technical skills with his employee's. Your employee should have superior technical skills than you."¹⁰

⁹ Zitelmann, R. (2019, November 4). The Jack Ma story: Why thinking big is more important than technical knowledge. Forbes. Retrieved from <https://www.forbes.com/sites/rainerzitelmann/2019/11/04/the-jack-ma-story-why-thinking-big-is-more-important-than-technical-knowledge/>

¹⁰ Tan, P. (2014, February 25). How to be successful in life and business, according to Jack Ma. Vulcan Post. Retrieved from <https://vulcanpost.com/5407/jack-ma-success/>



Figure 3: Jack Ma's 1999 Speech to Alibaba Employees¹¹

Jack Ma and his company recognize and reward their staff for excellent work. In 2014, Ma launched a bonus program that allowed senior executives and Alibaba staff to acquire share rights at an affiliated company he controlled, providing the holder with economic benefits¹² Additionally, the partnership programme served to motivate staff to continue innovating and contributing to Alibaba's long-term success.

This partnership, which may be considered a back-loaded reward system, attracted employees who were talented and loyal¹³ It was important to note that Jack Ma did not give out rewards frivolously. During Lunar New Year in 2015, he broke with tradition by refusing to hand out red envelopes (otherwise known as "red packets" or *hongbao*), despite the company's successful IPO offering the year before. He wrote on his personal microblog to explain the move: "The reason for not distributing red envelopes is that in the past year, Alibaba Group has not had exceptional results and not had any special surprises"¹⁴ Although this was seen as harsh, it did not generate a lot of outrage since Jack Ma noted at the same time that there would be a 13th month bonus distributed that month anyway.

¹¹ Taluswood Films on Vimeo (2014, April 14). Jack Ma's First Day Speech in Alibaba Apartment, The Alibaba Story – Crocodile in the Yangtze [Video], YouTube. <https://vimeo.com/94930824>

¹² Miller, M. (2014, August 13). Alibaba bonus scheme strengthens Jack Ma's control. Reuters. Retrieved from <https://www.reuters.com/article/alibaba-bonuses/alibaba-bonus-scheme-strengthens-jack-mas-control-idINKBN0GD0B920140813?edition-redirect=uk>

¹³ Hui, M., & Tao, Z. (2018, September 18). Jack Ma built Alibaba into a big family. He should now break it up into many smaller companies. Quartz. Retrieved from <https://qz.com/work/1390430/jack-ma-built-alibaba-into-a-big-family-he-should-now-break-it-up/>

¹⁴ Wong, G. (2015, February 13). Jack Ma tells Alibaba staffers: No red packets this year. The Wall Street Journal. Retrieved from <https://www.wsj.com/articles/BL-CJB-25977>

ALIBABA'S ORGANIZATIONAL CULTURE AND VALUES

“996” Work Culture

Most leaders, especially those in the public eye, are likely to face controversy at some point. This happened to Jack Ma when he endorsed the “996” work culture in China. The number refers to the practice of employees working from 9 a.m. to 9 p.m. six days a week, which is said to be a frequent occurrence among the country's big technology firms and start-ups. As reported by Wang and Shane (2019), Jack Ma said that while everyone had the right to choose their own lifestyle, those who work shorter hours “won't taste the happiness and rewards of hard work” and backed his stand with his personal experience of putting in 12-hour days for years to build Alibaba.

Compassion and Empathy

While his opinion was the subject of much controversy, it was clear that Jack Ma did care deeply about the welfare of his employees.¹⁵ a VP at Alibaba, recounted how Ma united the Alibaba team during the SARS crisis in 2003: when Erisman's team found out that they had to be quarantined due to a potential link to a SARS case, Jack Ma immediately sprang into action and had the team bring their desktop computers back home. He rerouted their phone calls to their home landlines and set up a virtual operation that, allegedly, was so seamless that their customers were surprised to find out that they were in quarantine. At the same time, Ma provided constant communication to management and all employees. He moderated staff discussions on the company intranet and made sure that they kept the human aspect of their company thriving. In uniting the team during a time of crisis, Jack Ma enabled the company's survival and also helped the team become stronger than before.

Quotient of Love

Jack Ma was a strong proponent of emotional quotient/intelligence (EQ) as a contributor to one's success. “If you want to be successful, you should have great EQ. Because you do know how to work with people. No matter how smart you are, if you do not know how to work with people, you will never be successful.” He added that one should also have LQ (love quotient) to earn respect¹⁶ This was a term coined by Jack Ma, as an add-on to EQ. He suggested that without EQ and LQ, “you won't go anywhere”.

Jack Ma did not hate his competitors; rather, he respected and explored ways to learn from them. He adopted a win-win mindset in carrying out his business deals by continually learning and improving from discussions and developments in the wider world. He instilled and advocated for mutual respect, cohesiveness and loyalty to be ingrained as core values at Alibaba. He also used humour to engage and build trust with his employees. His compassion was evident from the support and personal touch extended to his employees, which ultimately promoted a harmonious working space with a climate of open communication.

His actions towards his employees clearly showed his care and concern. For example, during his employees' weddings, he offered his personal blessings. This was important, as weddings were viewed in traditional Chinese culture as important celebratory functions. Despite his endorsement of the 996 culture that came as a challenge to many employees, Jack Ma showed publicly that he looked out for his employees' well-being and happiness.

¹⁵ Erisman, P. (2020, March 27). I was a VP at Alibaba during the SARS crisis in 2003. Here's what Jack Ma did to unite our team, accelerate revenue, and launch a new business amid the uncertainty of a pandemic. Business Insider. Retrieved from <https://www.businessinsider.com/how-alibaba-survived-2003-sars-crisis-under-jack-ma-2020-3>

¹⁶ Yee, J. (2017, October 25). Jack Ma says high EQ, not intelligence, is key to his billion-dollar success. Inquirer. Retrieved from <https://business.inquirer.net/239291/jack-ma-says-high-eq-not-intelligence-is-key-to-billion-dollar-success-jack-ma-alibaba-e-commerce-business>

Cultural Implications

As Alibaba grew into a global company, it inducted more foreign talent into its workforce. Thus, it was imperative for the management team to understand cultural differences. The company has been running the Alibaba Global Leadership Academy (AGLA) programme since 2016 in a bid to gain fresh ideas from overseas¹⁷ (Horwitz, 2017). Jack Ma also made public efforts to gain and display a good understanding of different cultures as well.

As reported by¹⁸, just several months before Alibaba launched its IPO, Jack Ma travelled to Singapore to attend and speak at an e-commerce conference. Despite being an Asia-centric conference, more than 80 percent of attendees hailed from Europe and the Americas. Since e-commerce had barely gained traction in Asia during that time, many speakers came from Western nations, and shared their convictions and experience running e-commerce platforms based in their home countries, such as eBay and Amazon. Ma recognized this and listened intently. When it was his turn to speak, he stated *“Asian e-commerce is moving in the wrong direction. Asia is Asia. America is America. All e-commerce in the world today follows the American model, but Asia will require its own unique model”*¹⁹ The model he developed had stemmed from a deep understanding of business challenges faced by small businesses in Southern China as well as insights he had gained during his time teaching English to businessmen, developed over his foray into international trade.

Alibaba's Success and its Future

Today, Jack Ma and his company have seen much success globally. On Singles' Day in 2015, the company amassed over \$14 billion in transactions across the company's various platforms in just 24 hours. The top five countries (outside China) whose residents bought items on Alibaba were the United States, Singapore, Malaysia, Australia and Canada²⁰ The company continues to expand its internationalization strategy and capture more of the global market. However, despite Alibaba's longstanding success, the future holds no guarantees. How might Alibaba continue to grow from good to great leadership, and tackle evolving and complex people management challenges to sustain its mission of making it easy to do business anywhere?

¹⁷ Horwitz, J. (2017, December 21). "A collective mindset": What a Chinese tech giant wants foreign hires to understand about China. Quartz. Retrieved from <https://qz.com/work/1161361/what-alibaba-wants-its-foreign-employees-to-understand-about-china/>

¹⁸ Liu, S., & Avery, M. (2009). Alibaba: The inside story behind Jack Ma and the creation of the world's biggest online marketplace. Harper Collins.

¹⁹ ibid

²⁰ Bryan, B. (2015, November 15). Alibaba just proved it's more than just some Chinese company. Business Insider. Retrieved from <https://www.businessinsider.com/alibaba-international-expansion-2015-11>