

IS3103 Information Systems Leadership and Communication
Mini Case: Jack Ma (for Lecture 8 Discussion)

Box 4.6 Case Study
Jack Ma: China's Unlikely Billionaire⁶⁴

Jack Ma is a most unusual billionaire. He is the head of one of the world's largest technology companies (the Alibaba group) but knows little about technology. Short (around 5 feet tall), thin, with a prominent forehead and protruding ears, he doesn't resemble the typical corporate executive. Some journalists call him "Crazy Jack" based on his animated speaking style as well as his risky corporate strategies. He dresses in wild wigs and lipstick to serenade employees at annual meetings, belting out renditions of Elton John's "Can You Feel the Love Tonight" and other tunes. Ma remains humble though he is the richest man in China and one of the richest men in the world. He spends his free time practicing tai chi, and reading and writing Kung Fu novels.

The unusual billionaire followed an unlikely career path. His family faced the wrath of the Chinese communists because his grandfather fought against Mao. Ma's parents were performers who practiced Pingtan, a traditional folk art form combining storytelling and music, which Mao banned during the Cultural Revolution of the early 1970s, when Jack was a child. His family's low status, along with his physical appearance, meant that he was the target of bullying at school. But Ma fought back, getting in trouble for his frequent fights with classmates. (He told biographers: "I was never afraid of opponents who were bigger than I.")⁶⁵ Once he learned that tourists were returning to visit his scenic hometown of Hangzhou following the Cultural Revolution, he got up at 5 AM every morning to befriend visitors so he could learn English. Since they couldn't pronounce his Chinese name, the Western visitors nicknamed him "Jack." Through this experience Jack not only polished his English skills, he made friends he would visit later and learned that much of what he was being taught in school was not true.

When it came time to enter university, Jack flunked the entrance exam twice due to poor math skills. He was finally accepted into what he refers to as "the most terrible school" in town—the Hangzhou Teacher's Institute. After graduation he got turned down for jobs with the city police, a hotel, and the local KFC. (Ma claims he was the only one of 24 applicants not hired by the restaurant chain.) He then took a job teaching English for \$20 a month. At the same time, he started his own translation service. Jack's introduction to the Internet came when he traveled to the US to collect a bill for a client (an effort that failed when the American pulled a gun on him). Staying with a friend in Seattle, he entered the words "China" and "beer" into a search engine and could find no entries. He received 5 visits within 24 hours of setting up his own website and was convinced that there was a future for e-commerce in China though, at the time, few Chinese knew about the Internet.

Ma quit his job as a teacher and started an online directory, which was soon taken over by China Telecom; he then worked briefly for the Chinese government. In 1999 Ma and 17 friends used \$60,000 to start Alibaba, which means "open sesame." Alibaba puts foreign buyers in touch with Chinese suppliers. In 2003 he started Taobao ("searching for treasure"), an online auction site that put him in direct competition with eBay. eBay chair Meg Whitman mocked Ma's decision to offer his service for free, declaring, "Free is not a business model." Ma's gamble paid off—eBay left the Chinese market and Taobao began making money by charging fees. Other branches of Alibaba include Alipay, which, similar to PayPal, guarantees payment for online transactions; and Tmall.com, which operates much like Amazon.com, serving buyers and retailers. In 2011 Alibaba made the largest initial public offering (IPO) in the history of the New York Stock Exchange (\$160 billion) and is the seventh largest company in the world, surpassing General Electric and Walmart. Currently Alibaba handles more Internet traffic than eBay and Amazon combined and accounts for 60–70% of all packages shipped in China. The conglomerate has recently diversified into financial services, travel booking, a football team, the film industry, and other businesses.

Ma started his company just as China was moving to a socialized market economy and discovering the Internet, which was key to his success. The arrogance and cultural insensitivity of foreign competitors also gave the company a chance to succeed. Executives at Yahoo!, eBay, and

Google not only showed disdain for Ma and his company, they failed to adapt to the Chinese market. Recognizing the importance of relationships in China, Alibaba officials held face-to-face gatherings around the country to recruit businesses to the Internet. While eBay keeps buyers and sellers from contacting the other party, Taobao provides chat software so they can talk directly with one another. Click on Taobao in China and moving icons and animations come up, a feature not found when visiting eBay or Amazon.com.

Despite Ma's good timing, Alibaba wouldn't have succeeded without Ma's charismatic leadership. As Porter Erisman, who served as an Alibaba VP explains, there were lots of other people who were more qualified to start an e-commerce business in China but Jack was the only one who seized the opportunity: "He was the right *person* in the right *place* at the right *time*."⁶⁶

Ma is a skilled communicator. Since stepping down as CEO he has maintained the role of chairman and spends much of his time representing the company. While Western executives are fond of outlining leadership principles, Ma is fond of images and sayings. For example, when describing Alibaba's relationship with the Chinese government, he notes, "While we are in love with them we don't have to be married to them." He describes his early days at Alibaba and his lack of technical skill as a "blind man riding on a blind tiger." During the struggle with eBay he comforted employees through this image: "eBay is a shark in the ocean; we are a crocodile in the Yangtze River. If we fight in the ocean, we will lose, but if we fight in the river, we will win." As a reminder to entrepreneurs to stay focused on the central mission of their firms, he evokes another animal image: "If you are a wolf chasing rabbits focus on one rabbit. Change yourself to catch the rabbit, but don't change rabbits." He exhorts followers through such declarations as "Never give up. Today is hard, tomorrow will be worse, but the day after tomorrow will be sunshine."

Like his parents, Ma is a performer, which made him a popular teacher and helps him inspire the loyalty of his current employees. Annual meetings resemble pep rallies. (He also presides over the mass weddings of Alibaba employees.) The entrepreneur makes work enjoyable. When the company made its first profit, he handed out a can of Silly String to everyone to celebrate. Ma encouraged the team launching Taobao to do handstands during their breaks to keep their energy up.

Ma's vision is clear. He is passionate about fostering the growth of small businesses by enabling them to sell goods globally over the web. He is also clear about his priorities. "Putting shareholders first is capitalism's biggest mistake," he claims. "Shareholders do not have a long-term vision for the company."⁶⁷ Instead, Ma believes customers come first, employees (who serve customers) come second, and investors come third. He summed up his philosophy in a letter sent to Alibaba employees when the firm filed for its IPO:

We know well we haven't survived because our strategies are farsighted and brilliant, or because our execution is perfect, but because for 15 years we have persevered in our mission of "making it easier to do business across the world," because we have insisted on a "customer first" value system, because we have persisted in believing in the future, and because we have insisted that normal people can do extraordinary things.⁶⁸