# The article

* Link: <http://dealbook.nytimes.com/2014/09/15/alibaba-raises-fund-raising-target-for-i-p-o-to-21-8-billion/?_php=true&_type=blogs&_r=0>

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In Class Presentation

Alibaba and the Investors Stone

Alibaba – the Chinese Amazon.com – is set to undertake its Initial Public Offering in the US. The significance in this event can be unearthed in the way Alibaba’s media presence has taken root in the business circles of the investor class.

In an article in the New York Times, “Alibaba Rises Fund-Raising Target for I.P.O. to $21.8 Billion” (.3 billion shy of the record holder Agricultural Bank of China), The ecommerce behemoth raises its price tag to $66-68 for each American depositary share, up from $60-$66 [New York Times]. But why not take the crown?

Obviously the folks at Alibaba have a set of organizational values and vision that guides decision making, never succumbing to profit’s sweet tooth, but instead focusing their strategic intent on a nutritious and balanced plan. In addition, the new price range setup the company to earn $165.5 billion on its first strike in the American investor system.

Strategy

Alibaba is going after the premium investor class – “big mutual funds and other investors that are expected to hold onto shares for the long term rather than quickly flip their holdings” [New York Times] – and “keeping the price range modest means Alibaba will be able to pick up more of that market. The reason is, if the price is too high then investors will not make any immediate returns on their investment and in could in fact lose if the IPO is botched (remember Facebook?).

Motivation

* “the order book is significantly oversubscribed” — The clamor and excitement behind Alibaba’s public offering has the investor world foaming at the mouth – the demand is so high that orders are already coming in
* “One hedge fund…put in an order for several billion dollars” When a major hedge fund publicly puts up billions of dollars before they have even seen your financials: go big or go home

Market Reaction

Interestingly, potential investors have been talking about Alibaba since the company first announced their American IPO a few months ago, and the craze hasn’t dissipated one penny. In fact, this recent announcement drew over “800 people” that to New York to hear the company’s executive chairman and co-found, Jack Ma speak.

* My talking Points
  + Strategic management process: describes the method by which managers conceive of and implement a strategy that can lead to a sustainable competitive advantage
    - What do we want to accomplish ultimately? What is our vision
    - What are we about? What is our mission?
    - How do we accomplish our goals? What are our values
  + AFI: Analyze > formulate > implement strategy framework
  + Scenario planning: strategy planning activity in which managers envision different what if scenarios to anticipate plausible futures
* Illusion of control: the hard numbers in a strategic plan can convey a false sense of security
  + Intended strategy: the outcome of a rational and structured top down strategic plan