

ALIBABA GROUP: A CASE STUDY

Debora J. Gilliard, Metropolitan State University of Denver, Campus Box 78, PO Box 173362, Denver, CO 80217-3362, 303-556-482, gilliard@msudenver.edu

David Lynn Hoffman, Metropolitan State University of Denver, Campus Box 78, PO Box 173362, Denver, CO 80217-3362, 303-556-3061, dhoffm20@msudenver.edu

ABSTRACT

This is a case study about a dominant e-commerce company located in China. Founded in 1999, today Alibaba Group has 25 business units, conducts business in 240 countries and regions, and employs 24,000 workers. The case is ideal for a management course such as Principles of Management or Strategic Management/Policy or an International Management course.

CASE SUMMARY

The Alibaba Group is very large, privately owned, e-commerce company based in China, having a presence in 240 countries & regions and employing 24,000 workers. On May 10, 2103, the founder and CEO, Mr. Ma, passed the leadership reins to Mr. Lu. Founded in 1999, Mr. Ma set out to build an internet based company that makes it easy to conduct business anywhere. The company has grown to 25 business units and includes B2B, B2C, and C2C opportunities along with an online payment business, a cloud computing business line, and a group buying business line. Some analysts suggest that Alibaba is bigger than eBay and Amazon.com combined.

The internet and e-commerce industry is at the beginning stages in the Chinese market with high levels of growth expected. As citizens earn more income and move into the middle-class, they are purchasing more products and using the internet to make those purchases. However, the global economy is affecting Chinese exports (which are decreasing) which affect wages of workers. Increasing wages demanded by Chinese workers and an appreciation of the currency is causing foreign firms to reassess the location of their manufacturing operations.

The company has had to deal not only with increasing competition in the e-commerce industry, but also with issues regarding the selling of fake and pirated products on its e-commerce sites. Alibaba has been working hard to overcome the stigma that Chinese products are unsafe and are low quality. China has just recently been removed from the U.S. Government's 'notorious markets' list. In the near future the company is contemplating an IPO and additional acquisitions.

Suggestions for Using the Case

The Alibaba case is an example of an e-commerce company in a foreign country. This case is ideally suited for a capstone business course such as Strategic Management, but may be useful in courses that discuss international business concepts or general business principles such as an International Management or Principles of Management course. It may be interesting for students to discuss how a Chinese firm is implementing strategy compared to typical US firms. For example, how do leadership styles compare, is there commonality in how the company and operations are structured, does the company engage in social responsibility, etc.?

Learning Objectives and Suggested Assignment Questions

Teaching Objectives:

1. Evaluate the company's internal operations through a SWOT and resource analysis,
2. Evaluate the external environment through analysis of the macro-environment/driving forces and Porter's Five Forces analysis.
3. Propose courses of action or recommendations for a company in a dynamic, fast-paced industry.
4. Identify leadership issues the new CEO may encounter and develop recommendations on how he should proceed.

Suggested Assignment Questions:

1. Prepare an analysis of the macro-environmental forces such as economic, political/legal, technology, global, demographics, and societal changes. Do these forces have a positive or negative impact on Alibaba?
2. Analyze the changing structure of the e-commerce industry. What are the implications of these changes?
3. Prepare a Porter's Five Forces analysis. What are your conclusions about the competitive environment of the e-commerce industry?
4. Prepare a SWOT analysis. What information can be gained about the internal operations of the company? Identify Alibaba's tangible resources, intangible resources, and organizational capabilities.
5. Identify the corporate level strategies and international strategies being implemented at Alibaba.
6. What recommendations would you make to the new CEO? How should he proceed to fill the shoes of Mr. Ma? What actions should the company take in order to remain competitive in the dynamic e-commerce industry?

Teaching Outline and Analysis

The above questions can be used to guide an in-class discussion, small group discussions, or written assignments. The discussion may begin with an analysis of the external environment (macro environment & Porter's Five Forces) or an analysis of the internal operations of the company (SWOT). This may include identifying issues when a founder leaves a company or steps out of the CEO position and succession strategies. Discussion of corporate level strategy might include the use of acquisition in a growth strategy and why company managers may buy and sell lines of business over time. Discussion of the type of international strategy the company is employing is also appropriate (Multi-domestic, International, Global, and Transnational). The discussion might conclude by identifying global and domestic issues that may affect the performance of the company and recommendations for future actions.

For small group in-class activities, students can be divided into groups and each group can be assigned one of the above questions to answer. Group members can then report their analysis and conclusions to fellow students in a whole-class discussion.

REFERENCES (Available Upon Request)