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## The Review of Alibaba's Operation Management Details that have Navigated them to Success

By Chanttel Tham Jo Ee & Dr. Rashad Yazdanifard

*Help College of Art And Technology, Malaysia*

*Abstract-* Alibaba, the most well-known online company in the world founded by Jack Ma has implemented and improved their management system in many different styles in order to fit different companies in the world. In Jack Ma's concept, autocratic management is applied to make employees more responsive due to the nature of the works in the industries. However, it will limit the freedoms of the employees when it comes to giving ideas or making decisions. Moreover, Jack Ma has changed his style into conductive style of management. This has strongly built loyalty as well as motivation within the employees. After a long period of management experience, the style that most probably used by Jack Ma throughout his career for managing Alibaba group is the persuasive style.

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# The Review of Alibaba's Operation Management Details that have Navigated them to Success

Chanttel Tham Jo Ee <sup>α</sup> & Dr. Rashad Yazdanifard <sup>σ</sup>

**Abstract-** Alibaba, the most well-known online company in the world founded by Jack Ma has implemented and improved their management system in many different styles in order to fit different companies in the world. In Jack Ma's concept, autocratic management is applied to make employees more responsive due to the nature of the works in the industries. However, it will limit the freedoms of the employees when it comes to giving ideas or making decisions. Moreover, Jack Ma has changed his style into conductive style of management. This has strongly built loyalty as well as motivation within the employees. After a long period of management experience, the style that most probably used by Jack Ma throughout his career for managing Alibaba group is the persuasive style. When the company has expanded globally, persuasive management style is enhanced in order for the manager to spend more time working with their subordinates in order to try to convince them of the benefits of the decision that have been made. Not only that, Jack Ma even found democratic style of management very effective. It meant that the manager allows the employees to take part in decision-making and come up with the best result when everything is agreed upon by the majority.

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## I. INTRODUCTION

Alibaba was founded by a Chinese entrepreneur called Ma Yun, who is more commonly known by the English language media as Jack Ma. He is currently the richest man in China and has been ranked the 18<sup>th</sup> richest man in the world, thanks to the solely internet-based company – Alibaba (Adizes, 2004). Though the company he started was initially small, it has now evolved into the Alibaba group, whose main website is one of the world's top twenty most visited websites and has broken records for sales and IPO in many countries across the world. Jack Ma, like his company, came from humble beginnings. His parents were story tellers and musicians and he himself was only an average student but who made up for it by being very hardworking ("Alibaba Sells Extra Shares; IPO Raises \$25B, Breaks Global Record", 2014). He started his career as an English teacher and only began to look at the internet as a viable source of income when he was over thirty years old. Instead of following the conventional way and going back to school to learn how

to write code or to design websites, Jack Ma decided to connect businesses to clients and other businesses on the web (Adizes, 2004). His Alibaba website works like eBay and serves a lot of eBay's functions in the Asian market due to restrictions in policy and geography. In fact, it was so popular that some years past, eBay had to stop operation in China because it could not turn a profit due to the inclination for Alibaba among Chinese consumers. Jack Ma became one of the richest and most influential people in the world because he was able to connect everyone in a global marketplace, despite China's policies preventing him from receiving foreign investment.

## II. ALIBABA, AN ONLINE COMPANY

Alibaba, in essence is an online company that makes a business of conventions. Unlike most businesses, it does not try to sell a product but connects one business to another and acts like a marketplace ("Alibaba.com limited; alibaba.com shareholders approve privatization proposal", 2012). One of the reasons why it is useful is because it ensures quality suppliers by utilizing quality check tools like the gold standard seal and trustworthy ratings. In addition, Alibaba usually targets the Asian market and it gets support from China and the majority of Asian countries that are more likely to trust a seller that is local instead of from somewhere far away like most western markets, i.e. eBay and other American based companies. Jack Ma started with a Chinese client base, a huge market, as China is the most populated country in the world and also one that needs more connections because of geographic obstacles. In China, it is very difficult and expensive to travel from one place to another and so the best way to promote and sell your items is through the internet. Jack Ma and his investors took advantage of the ease of communication provided by the internet to connect services to each other for a small fee, and in doing so helped to create a global marketplace which makes everything easily available for the buyers and sellers ("Alibaba.com limited; alibaba.com shareholders approve privatization proposal", 2012). Over time, they also added more convenient features to their website like pictures and music to make the shopping experience more pleasant for customers which really cemented their success in the online marketing genre.

**Author <sup>α</sup> <sup>σ</sup>:** Center of Southern New Hampshire University Program Help College of Art and Technology. e-mails: joe\_e\_tham@live.com, rashadyazdanifard@yahoo.com

### III. AUTOCRATIC MANAGEMENT STYLE

One of the main reasons Alibaba is so successful is because of their implementation of a good management system. Good management is the key to the success or failure of any company and in the case of Alibaba, Jack Ma (who is the founder and CEO) had to experiment with a few management styles before finding the one that fits their company. His willingness to recognize when things are not working out and to change accordingly highlights the problem most managers and leaders face – inflexibility. Most managers choose only form of management and then stick with it until it starts to become ineffective, leading to first, dissatisfaction within the company's employees and ultimately the downfall of the company. Being born in China and being a Chinese man, Jack Ma is very familiar with the concept of autocratic management (Bassett, 1966). An autocratic management style is one where the manager makes decisions unilaterally, and without much regard for the subordinates (Bassett, 1966). As a result, decisions will only reflect the opinions and personality of the manager, which in turn can project an image of a confident, well managed business. On the other hand, strong and competent subordinates may become irritated because of the limits placed on their decision-making freedom, leading to a higher turnover rate amongst the company's best staff, and the organization will in turn suffer from limited "front line" perspectives on what works and what does not (Benfari, 2013). When Alibaba was first being launched, Jack was the only man at the helm and had to take an autocratic position. As the only person who was internet savvy in their small province, he had to first prove to his friends and family that the internet existed, by showing them a web page on a computer, and then he had to prove to them that his non-traditional business could work. With no one to help, Jack had to be the executive decision maker for the company and all matters involving business related to alibaba.com (Bolton, 1984).

### IV. CONDUCTIVE MANAGEMENT STYLE

However, as the company grew and expanded they started attracting more qualified people who wanted to work for them, each with new ideas and expertise to offer to the company if the management just opened their ears. Jack Ma knew he had to change his management style as it was not conducive to the running of the company. Even though he was still CEO of the group as a whole, he started to share responsibility with his trusted co directors and managers. He adopted a management style that was more conducive and allowed people to work with him, not just for him (Gough, 2014). While more paternalistic in form, this type of management style is also essentially

dictatorial. The difference is that, executive decisions take into account the best interests of the employees and not just purely that of the business (Hille, (2013). Communication is again generally downward, but feedback to the management is encouraged to maintain morale. This style can be highly advantageous when it engenders loyalty from the employees, leading to a lower labor turnover, thanks to the emphasis on social needs (Guilford, 2014). This is a definite improvement from the autocratic management style where lack of worker motivation is typical because no loyalty is established between the manager and the people who are managed (Guilford, 2014). However, the conductive management style also shares disadvantages with the autocratic style, such as employees becoming dependent on the leader. Nevertheless, it is important to note that Jack Ma recognized when he should start making changes to his management style in order keep up with the growing needs of the company, and though the changes were not extremely drastic it still brought the company one step closer to greatness. It is interesting to observe through this example, the variation of this management style that is exclusive to Asian cultures. This style is grounded in the example of the Asian family unit and is known as the paternal style. One parts consultative and with an undercurrent of what is easily confused with autocratic and dictatorial, managers of this style make decisions that take into account the best interests of the employees in addition to that of the business, often more so than interests of the individual manager (Hoff, 1981). Communication is downward, as feedback and questioning of authority are absent for utmost respect to superiors and group harmony are central characteristics within the culture. This style demands loyalty from the employees, often more than that required by society's rules in general (Hsu, 2013). Staff turnover is discouraged and rare. A strong work ethic is the status quo as East Asians often have the world's highest numbers of hours worked per week due to a sense akin to family duty, with the manager being the father and staff their obedient children, all striving for harmony and other related Confucian characteristics (Kwok, & Thomas, 2014). Most aspects of work, as in daily life, are done with a highly collectivist orientation. It shares disadvantages with an autocratic style, such as employees becoming dependent on the leader, and related issues with seniority based systems. That particular bent never left Jack Ma's style as it is inherently apparent at the beginning of the formation of alibaba.com, when he was still working with friends and family to expand his business, and later when he began hiring more workers. At that time, he was comfortable using this style because everyone involved in the company was someone he knew on a personal level.

An Asian Paternalistic style means that the manager makes decisions from a solid understanding of what is desired and is considered the best by both consumers and staff. Managers must appear confident, knowing all answers, and they must promote growth with harmony, often including hiding harmful or sad news is required (Leites, 1985).

## V. PERSUASIVE MANAGEMENT STYLE

Finally, through studies and deep analysis, the style Jack Ma mostly used throughout his career of managing Alibaba group is the persuasive style (Li, 2008). When the company expanded to a global scale and needed lots of foreign partners, he could no longer keep it within the circle of his family and friends, as he needed to understand not just the business aspect of running the company but also the political aspect of it as well (Osawa, 2014). He had to utilize manipulation to keep the investors happy by giving them a prominent position within the company as well as to get outside help that was crucial for Alibaba to better understand the markets outside of China, especially when they collaborated with the United States of America where the culture is totally different. In this, his persuasive style of management was really useful (Prez-Cerezo, 2013). A persuasive management style involves the manager sharing some characteristics with that of an autocratic manager in the sense that a persuasive manager maintains control over the entire decision making process (Prez-Cerezo, 2013). The most prominent difference here is that the persuasive manager will spend more time working with their subordinates in order to try to convince them of the benefits of the decision that have been made. A persuasive manager is more aware of their employees, but it would be incorrect to say that the persuasive style of management is more inclusive of employees, for just as there are occasions where the use of an autocratic management style would be appropriate, there are also instances where a company will benefit from a persuasive management style. For example, if a task that needs to be completed is slightly complicated it may be necessary to rely upon input from an expert (Schepp, & Ebrary, 2010). In such a situation, the expert may take the time to explain to others why events are happening in the order in which they will occur, but ultimately the way in which things are done will be that person's responsibility. In those circumstances, they are highly unlikely to delegate any part of the decision making process to those who are lower down in the hierarchy so this can demonstrate how he ran his company still based on an essentially autocratic style but still remain mindful of the needs of his employees and the times, helping Alibaba.com to maintain its relevance in today's modern market.

## VI. DEMOCRATIC MANAGEMENT STYLE

Jack Ma has also, on occasions, demonstrated his management style to be democratic (Shearer, 2012). Despite growing up in the People's Republic of China, he knew that a mix of democracy and power can bring about some very good results, and unsurprisingly incorporated that knowledge into the company he founded (Shearer, 2012). In a democratic style, the manager allows the employees to take part in decision-making: therefore everything is agreed upon by the majority. The communication is extensive in both directions (from employees to leaders and vice versa). This style can be particularly useful when complex decisions need to be made that require a range of specialist skills: for example, when a new ICT system needs to be put in place, and the upper management of the business is computer-illiterate (Sin-Kwok, 2010). From the overall business's point of view, job satisfaction and quality of work will improve, and participatory contributions from subordinates will be much higher (Sin-Kwok, 2010). However, the decision-making process could be severely slowed down unless decision processes are streamlined. The need for consensus may avoid the management from taking the 'best' decision for the business unless it is managed or limited. However, thanks to Jack Ma's blend of using various aspects of every style, Alibaba has been faced with very few bad decisions. The one time their deal fell through is because Hong Kong authorities were worried about their investment not being honored due to China's policy with foreign investors (Solomon, 2014). However, the same deal worked with the United States of America because they were happy with a Cayman Island account to keep track of their investments and rewards (Solomon, 2014).

## VII. MANAGING BY WALKING AROUND MANAGEMENT STYLE

Another management technique that is usually not mentioned is the "Managing By Walking Around: (Steadman, 2013). Just like the name suggest, this is usually when the manager seem quite visible. Throughout his career, Jack Ma was never lazy, but always prominently seen around his company. All of the employees knew him, the media knew him and he never took the back seat for anything in regards to the company. Basically he became a manager who was leading by example. "Management by Walking Around" is a classic technique used by managers who are proactive listeners (Steadman, 2013). Managers using this style gather as much information as possible so that a challenging situation doesn't turn into a bigger problem. By listening carefully to employees' suggestions and concerns, it will help evade potential

crises before they even begin. MBWA benefits managers by providing unfiltered, real-time information about processes and policies that are often left out of formal communication channels (Watling, 2014). By walking around, the management gets an idea of the level of morale in the organization and can offer help if there is trouble. A potential concern of MBWA is that the manager will second-guess employees' decisions (Wee, 2013). The manager must maintain his or her role as coach and counselor, not a director. By leaving decision-making responsibilities to the employees, managers can be assured of the fastest possible response time. As seen many times throughout Alibaba's brief history, the managerial team is always on hand before problems can happen such as when eBay petitioned to shut down taobao.com as it was encroaching on their user base and causing them to lose revenue (Zi, 2015). The situation was handled very quickly, with China Yahoo's founder sponsoring a huge investment sum to keep taobao running and finally ended with eBay being the one to stop their operations in China.

## VIII. DISCUSSION

One of the key factors of Alibaba group's incredible success in such a short amount of time is because the managerial team and Jack Ma were attuned to the needs of the company and market and were willing to change with the times. They took advantage of the internet phenomena that was sweeping the world and produced something from it that everyone can use. Their product was not just aimed at a specific market but at everyone because humanity has always had a need to congregate in order to buy and sell things and the global penetration of the internet made it a perfect tool to meet that need. From that simple philosophy, an online marketplace that everyone could visit and buy and shop from was born. They didn't seek to merely become leaders or rich, they were just looking for a way to facilitate easier connection with like-minded people much like other successful online ventures like Facebook and Twitter.

Jack Ma's management style that constantly changes and evolves according to the demands of the market and the company can be credited as part of the reason Alibaba is so successful. Another part of it can be attributed to his hardworking nature and hands on approach. When Jack was a child, he used to ride his bicycle for a long time every morning to go to a hotel outside his city and talk to foreigners staying there in order to improve his English. From this we can see how dedicated and hardworking he is but also his willingness to learn and to remedy his deficiencies. He can be autocratic when needed to be, persuasive in matters where it would work better, and leading by example among his employees in order that he and his company

remain relevant to the market. At a relatively young age he managed to amass a fortune with a concept that his friends and family were very skeptical about, and yet his best quality is knowing when to stop and take stock of the situation. In a surprising move, he actually stepped down as CEO of the Alibaba group in May 2013 saying that he had taken the company as far as it could go under him and that the company now required fresh blood to go on. Most leaders want to stay in their position of power for as long as possible but Jack Ma saw the wisdom in stepping down before he and his work could become irrelevant, damaging the company that he has spent so much time and effort on. This shows what an insightful and dynamic leader he is.

## IX. CONCLUSION

Every once in a while, a great company comes along to be an example to everyone else and the world of management and business analysis gets busy trying to dissect what management style they used and what is their formula or recipe for success. Actually, there is no sure-fire way but it does help to possess qualities like willingness to work hard, dedication, being fair to your employees, flexibility as well as utilizing the skills you have and acknowledging the ones you do not have. Getting help in areas which you do not have the answers for doesn't make you a bad leader; it makes you a good and aware leader. Jack Ma is such a leader and it is no surprise that his company, the Alibaba Group of Industries, can be as successful as it is today.

Success of course is a relative term and cannot always be applied for same thing in the same way. For some it can mean success because they have a lot of money and for others it can mean fame or a happy life. In terms of this group, success means public acclaim for doing so well in their business until they can get international recognition for their work. In that way, Alibaba is a very successful company with the founders and managers being entitled to feel proud for nurturing it from the tiny website at its founding to becoming one of the top twenty most popular websites in the world as well as a large, flourishing company. And all this is down to its management team being willing to stop and admit that what they are doing does not work and to change accordingly, to the betterment of the little business that could.

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