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Alibaba.com between economic success and corporate responsibility

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Alibaba.com between economic success and corporate responsibility

Abstract

The Alibaba Group was one of the biggest and fastest growing businesses in China for about ten years. Among many other companies under the holding's umbrella, Alibaba.com had become the world's most frequented market place in the Business to Business segment. The company provided an internet platform for especially small and medium sized companies, where western demands meet Asian supply.

Although the platform opened the door for many firms to the international markets, there was room for improvement. Due to the increasing access to information through the World Wide Web, customers had become more and more sensitive to what is known as corporate responsibility. Sustainable business models and fair working conditions were more than ever of huge importance for the customer. In order to respond to this trend, companies on the demand side had to make sure that their suppliers fulfill not only European standards.

This trend of corporate responsibility recently caused many complaints about the listing and transparency of the Alibaba platform. On the supply side, suppliers missed a tool for signaling their working and quality standards to their customers. There was hardly a way to differentiate from competitors on the webpage. On the demand side companies suffered the same problem vice versa. There was barely a way for small western companies to control and check quality and labor issues for their supply chain without long lasting selection and arrangement processes.

But not only direct users of Alibaba.com drew the attention to the Alibaba system. Years ago many NGOs (Non-Governmental Organizations) claimed for more transparency and social standards on the Alibaba.com homepage.

Jack Ma, the CEO of Alibaba, knew about these problems. However, he also knew that many firms that once started with poor standards were nowadays great companies with well-known products all over the world. With a higher entry barrier, these corporations would not have had the chance to enter the market at all. Developing from a small company with low standards to a firm with high standards was often a long and time-consuming process.

Triggered by the recent complaints Ma was challenged by several self-imposed questions. Ma knew that the listing and policy on his platform were deeply connected with those questions and that there would be no easy solution. Whatever he decided should be the best answer for all parties: The Company, the customers and society.

Alibaba.com between economic success and corporate responsibility

1. Introduction

On a cold morning in early February 2015 Jack Ma, CEO and founder of Alibaba.com, sat in his office and was deep in thought as he drank his breakfast coffee. He had just returned from the World Economic Forum in Davos (World Economic Forum Website, 2015) to his firms' headquarter in Hangzhou, China (Qing, 2008, p. 48). Ma was still exhausted from the lively discussions he had had in Davos. Full of new impressions and ideas he taught about how he could solve the issue that very often came to his mind the last weeks. He knew the challenge he was facing might change his whole business and even the Worlds' understanding of and doing business with China. Ma was aware of the fact, that the different values of all actors involved in the business of Alibaba.com, had always been a challenge and it was not deniable that it became more severe to handle. To align Chinese values on the one hand with the Western principles, but also with the aims of NGO's on the other hand, seemed to be almost impossible. Misunderstandings, lacking tolerance and missing respect on all sides complicated the problem.

Recently managers of Alibaba.com came up with complaints of listed suppliers and were worried about Alibaba.com's future. From their point of view, the problem was that Chinese suppliers with a very good reputation experienced damages due to suppliers who did not perform as well. As Alibaba offered no system that showed how good a supplier was, it was difficult for positive evaluated suppliers to send the corresponding signals. Thus, some were treated with mistrust, whereas they were reliable. Sometimes bad suppliers were chosen over good ones, which in turn endangered the business of well performing suppliers. As a further consequence, the satisfaction on the demand side decreased. Especially the challenge to find suitable, good suppliers with a sustainable approach was discussed very often and evaluated as nearly impossible. An improvement was wanted and the perceived lack of transparency should be reduced (Frasch, 2014). For the evaluation of all listed suppliers, NGOs even demanded the introduction of labels, which should indicate whether a product was sustainable or not.

Remembering the convention in Davos Jack Ma always thought directly of the discussion with the Chinese premier Li Keqiang (World Economic Forum Website, 2015). The politician appealed to Jack to keep in mind that Alibaba.com has the worlds' attention. Therefore, he elaborated that Alibaba.com represents the Republic of China and the Chinese values as one of the most successful Chinese businesses. Consequently, he made clear that it is important to many politicians that Alibaba.com does not totally adapt to Western principles, but sticks to

the Chinese way of thinking and operating. This should also be aligned with being internationally successful.

Jack Ma often felt that the Chinese perspective on adapting to western values is misunderstood. As a BRIC country and with the most inhabitants worldwide, China was fighting against huge social challenges as for example starvation. Thus adapting to Western values often was impossible or led to effects opposite to those the adapted value was aimed at. To Jack Ma the whole discussion was a truly important matter, especially as the conflict often occurred when China and the Western World did business. To Ma it was extremely important to contribute his part for finding a way to align the different perspectives without losing the Chinese norms and values. Nevertheless, how should he find a solution that was also beneficial to his company? How could he make the different parties understand each other better?

2. History of Alibaba.com

Alibaba.com was a young Chinese company whose history is elaborated in the following, with a special focus on the company itself, the company's environment and the competitors.

2.1 Company history

In 1995, Pinyin Ma Yun (Jack Ma), a Chinese 41-years-old English teacher at Hangzhou University, visited the United States for the first time. During his stay a friend brought him in contact with the Internet by telling Ma that everything can be found on it. While discovering this new tool, Ma realized disappointedly that he could hardly find anything about China on the Internet at all. From his point of view this had to be changed. Therefore, once back at home, he decided to launch one of the first Chinese websites, a directory of companies, and named it China Pages. Although this website was a failure, Ma did not hesitate to continue his project. Thus, four years later Alibaba.com was born. Ma Yun and 17 other partners launched Alibaba.com in June 1999 in the city of Hangzhou. The founder realized quite early which were the reasons of Alibaba.com's success. The following three reasons were named by Ma for being able to survive: "We had no money, we had no technology and we had no plan" (Fannin, 2008).

Jack Ma, as he was called by a Western friend and which he chose as his name accordingly, had an unusual personality. First, he was not the traditional technology CEO. He came from a quite poor family and had never been brilliant at school. Although he was interested in understanding foreigners and their culture by learning English, he never excelled as a student

and failed the college entrance exam twice. He finally became an English teacher at a local university earning only \$12 a month. However, Alibaba's success could not have developed without the lively and vivid character Jack was, therefore being called "Crazy Jack". He was a captivating speaker with an animating manner of speaking. As he said in "Alibaba" – a book written in 2009 by Shiyong and Avery: "I was never afraid of opponents who were bigger than I". Jack Ma perfectly knew how to motivate his employees providing them a funny, productive and familiar atmosphere at the company. Porter Erisman, an early Alibaba employee, said it was like a close-knit family. Since the beginning, "Ma motivated the team by creating an ethos of being a scrappy little company ready to take on giants" (D'Onfro, 2014). Also Jack Ma knew that his dedication was to help to fulfill the needs of Chinese citizens. His aim was to align this with the benefits of his company.

Ma found several ways for motivating his people and giving vision to his staff. In one of his letters, Jack Ma said to his employees: "We know well we have not 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." (D'Onfro, 2014).

Between 1999 and 2000, the company raised \$25 million from Goldman Sachs, Softbank Corporation and other institutions and wrote a pure success story. The vision of Ma was to create a global company with local win. He chose the name "Alibaba" because everyone in the world was able to understand it and since it referred to the notions of openness, kindness and business. The company was born to be global, but since the beginning focused on helping small and medium sized Chinese companies to survive by giving them a mean to make money especially by enabling them to reach their customers online. The founders' idea was simple and could be summarized by "click and get it". Contrary to other Chinese Internet-business founders, Ma did not try to copy the U.S. model but was innovative. He decided to adapt his strategy to the Chinese market and its specific needs. His self-imposed vision and mission was to build an e-commerce ecosystem that was profitable for both buyers and sellers.

In 2002, Ma realized that although Alibaba.com had a lot of listed members, most actually did not pay anything. However, he knew that this was not a profitable business model. Profit was realized for the first time in 2002, as he imagined how Chinese suppliers could reach US buyers online. At this time, Ma decided to hire foreign experts in order to help the company to become a global player. At that point of Alibaba.com's lifecycle the actual vice president, Porter Erisman, came in. According to him, Chinese people in general had very little

experience in management. He thought that the success of Alibaba.com came from the fact that since the beginning the aim was to connect importers and exporters from all over the world. “It was the first global Internet Company emerging from China” (Walraven, 2009). Nevertheless, he was convinced that in order to succeed internationally, Alibaba first needed to prosper in China. The company could not have survived without the domestic sale.

In 2015 Alibaba.com was the world’s first platform for wholesale trade and was highly profitable. The aim of Alibaba.com was to give buyers from all over the world the widest variety of options in choosing their products through a web platform. In order to do so, buyers were connected with a large amount of international suppliers. Alibaba.com made both supplier’s and buyer’s lives easier since it enabled them to come in touch with each other, which in turn allowed the involved actors to do business across borders. As a company, Alibaba.com could be used to find all needed products in over 40 different categories ranging from electronics to textiles to agriculture and food. This was unique, as almost everything could be purchased via Alibaba.com. The business model to develop an e-commerce platform, which connects Chinese suppliers with customers from all over the world, was an invention itself. Alibaba.com was one of the biggest and the earliest e-commerce platform for wholesalers. Unique was especially, that every supplier could be listed no matter where it was headquartered. Thus even small suppliers from rural areas were able to participate in the global market due to diminishing small communication costs. Additionally, Alibaba.com could be seen as a kind of “Gateway to China”, connecting the Western World rapidly and cheaply with the Chinese industry.

Alibaba.com belonged to the Alibaba Group as far as 72% (Alibaba Group website, 2015). In general, the Alibaba Group hold several different Internet-based businesses. Alibaba.com was the first company of the group and, as previously elaborated, it was focused only on business-to-business. The second business which was created was Taobao in 2003. In 2015, it was the first online shopping marketplace for Chinese private individuals and the main rival of eBay. Later, Alimama, an advertising exchange platform, and Alipay, a Chinese leading online payment service, were launched, followed by several other Internet-businesses. Although this case is focused on Alibaba.com it is necessary to keep in mind that the growth of the company over the time was not only due to its unique businesses, but also to a multitude of interrelated ideas.

2.2 Market and Industry environment

E-commerce - or Electronic Business - is a way of trading by using computing networks such as the Internet (Springer Gabler Verlag). It is the process of selling and purchasing goods or services over the Internet by using for example secure connections and electronic payment

services. It became possible in 1991 when the Internet was opened to commercial use. At the beginning of 2002, Business-to-Business, the largest form of e-commerce, had aroused around \$700 billion in transactions. By the end of 2007, E-commerce sales counted for 3.5% of total sales in the world (Ecommerce-Land, 2001).

Both online buyers and sellers achieved advantages in doing e-commerce, especially at Alibaba.com. On the one hand, consumers had a large database of products and services and they could compare prices easily in order to obtain the best one. On the other hand, online vendors got a cheaper way to be selected by their customers. Even the smallest brands could reach global markets. Moreover, web technology enabled to track customer preferences and to deliver individually tailored marketing (investorwords.com, 2015).

It was expected that in the future e-commerce would confirm itself as a major tool of global trade. E-shopping should become more and more popular and commonly used at work although not used privately. In 2015, competition between the several websites became severe and experts assumed that the developments would lead to an enormous growth of Internet sales in the 21st century. Since the Internet excluded geographical factor, the location of the stores did not matter anymore. However, the online sellers became competitive by adapting themselves quickly to the new environment. They had to pay attention to e-marketing details and used modern technologies to improve their website design and presentation in order to make their platform user-friendly and to stay competitive in the world of E-commerce.

Chinese market: a new huge market for e-commerce industry

During the 2000's, China and the Chinese life underwent various changes. Since its adhesion to WTO in December 2001, China moved on to modernize step by step (World Trade Organization, 2015). Consequently, the total volume export of China was growing extremely. China started to be seen as the manufacturer of the world, and an increasing number of low-cost suppliers was entering the marketplace. As around 2000 the Internet just started to become significant in China, Alibaba.com could not have been created at a better time than in 1999. Just in time, as the Chinese people were able to realize that it was worth opening themselves to the world, Alibaba.com appeared. International trade was increasing, China was opening its borders, the Internet was growing and more and more people got Internet access.

As Alibaba.com put in evidence on their website, *“to understand Alibaba, one must understand how China is changing”*. With the turn of the millennium, e-commerce became a way of life for China's aspirational middle class. Indeed, in 2013 China overtook the United

States in becoming the first e-commerce market (in 2015, \$672b in China VS \$349b in the US) and the biggest e-commerce provider in the world (Alibaba Group Website, 2015).

However, as the case focusses on Alibaba.com, which is B2B focussed, it is necessary to explain E-commerce in the B2B sector in the following:

B2B form of e-commerce

Three architectural models of B2B commerce exist:

- Supplier oriented marketplace: the supplier provides marketplace (e-store) to his customers.
- Buyer oriented marketplace: the buyer has his own marketplace (e-market). He invites suppliers to bid in product's catalogue.
- Intermediary oriented marketplace: an intermediary company runs a marketplace where business buyers and sellers can interact and transact with each other (Beynon-Davies, 2013, S. 250ff.).

Alibaba.com could be defined as being an intermediary oriented marketplace because of the fact that the buyers and the sellers had been directly interconnected since the first step of the process.

As a matter of fact, business customers had a different approach than individual consumers. Their purchasing decisions were described as being cooler, harder and more logical than individual consumers' decisions. The act of purchasing could not be an impulse buy but was a very careful decision because it concerned the whole company. Purchasers always had supervisors, who should not be deceived.

A B-to-B commerce website had to focus on providing as much useful information and customer service as possible in a short time frame in order to make the purchase decision easier (Beynon-Davies, 2013).

Regional developments of China

Because of the fact that the coastal areas of China offered a unique transportation system, the economic development in those regions was way more rapid than in inner of China. However, the National Bureau of Statistics of China reported that the number of firms in rural areas was increasing. For example, the number of enterprises grew by nearly 28 percent from 2012 to 2015 (National Bureau of Statistics, 2015). The report "A new era for manufacturing in

China” published by McKinsey in 2013 discussed the fact that especially suppliers, who manufactured fast-moving consumer goods were increasingly producing in smaller enterprises. Those were often not located in the big cities as e.g. Beijing or Shanghai (Eloot, K., Huang, A. & Lehnich, M. (2013), but in rural areas. Thus, the total number of companies across less developed ranges of China increased. Especially firms in rural areas were challenged by how to get into contract with potential clients and especially with customers from the other end of the world? Alibaba.com offered a unique business model helping to solve that problem by offering a platform, which connected Chinese suppliers with clients from all over the world easily and fast. To Jack Ma it was especially important not only to offer the platform, but also to support new listed firms by entering e-commerce. Also firms located in wealthier and a lot more central regions welcomed Alibaba.com as an efficient way to do business.

2.3 Competitors

The two world-known American companies eBay and Amazon were the first to start selling products over the Internet respectively in 1994 and 1995. Although Alibaba.com entered the market later it differed itself by using the Web for business transactions. While eBay and Amazon were focused on B-to-C, Alibaba.com was focused on B-to-B. Compared to the others, Alibaba.com did not have any warehouses and it was not involved in the distribution channels (Riley, 2014).

eBay’s business was located closer to Alibaba.com because it also created a platform in which both buyers and sellers could interact but it did not involve companies. Moreover, the products exchanged on eBay could be secondhand, whereas at Alibaba.com only new manufactured products were sold by quantity rather than by piece.

In China, Alibaba.com did not have direct competitors so far. Although experts often discussed Alibaba, Tencent and Baidu as the Big Three Chinese Internet and e-commerce companies, it was clear that the three of them acted in different market niches than Alibaba.com. Although Tencent was historically not specialized on e-commerce but more on social networks, the firm acquired a percentage of the Jingdong platform (JD.com) in 2014, which was the Chinese equivalent to Amazon. While there was more and more competition in the Chinese Internet and e-commerce industry, the interests became convergent and the mergers more frequent. The type of alliance, as Tencent fostered, was a danger to Alibaba’s strong position in China (Loeb, 2014).

3. Different perspectives on Alibaba

There were many external and internal pressures, which made Ma think about a shift toward integrating corporate responsibility stronger into Alibaba.com's strategy. Mainly he differentiated between three main groups of actors. First of all, there was the Western World, secondly, the Asian perspective and finally he thought of the perspective of international NGOs.

3.1 Western Perspective

Especially within the year 2014, many of Jack Ma's managers encouraged discussions on the ongoing complaints of customers about difficulties within the selection process of suppliers. Having found a group of suppliers who offered the wanted products or services did not mean to be able to decide easily for the best matching one. Customers criticized that every detailed information needed from the supplier had to be asked via e-mail, as Alibaba.com did not forward any quality signals of the producers or information on sustainability. In fact, Alibaba accepted every supplier regardless of the corporate production standards and cultural issues. Consequently, it was likely that firms, which were listed at Alibaba.com, could employ for example children. Often a customer wanted to check whether a favorite supplier matched the values and norms of the firm. In order to get the wanted information, the customer had to contact the supplier himself and ask personally. For several reasons this process was highly disliked by Western companies (Sen, 2014). First, they complained about the very long lasting process. Additionally, the received information was sometimes incomplete, insufficient or even wrong. For example Mr. Ling, who was one of Ma's trust worthiest managers, complained about losing an important customer from Germany. The respective customer had needed information on the degree of fair working conditions, sustainability and quality within the supplying firm. Although the firm was performing sustainably, it had difficulties to signal its efforts. Instead of sending achieved labels or any prove for acting sustainably, with a high quality and without employing children, the firm sent a self-made checklist. The checklist included information on all issues wanted. Nonetheless it did not give any prove that the given information was true and not made up. In addition, it took more than a month until the customer received the list. Since proof of the statements was missing and thus reliability was not given from the customer's point of view, he decided to end the relationship, as he told Mr. Ling. Because of the fear of losing more time by negotiating with another listed supplier, the firm decided to stop searching via Alibaba.com. Instead another platform was chosen, which offered external proof.

Furthermore, many customers and the western media complained: "All suppliers will tell you they run a clean shop and pay their workers a fair wage. But you may never know the real

working conditions at your supplier's factory unless you personally inspect it – and even then your supplier may shield you from the truth” (Alibaba.comfraud, 2015). Being a small or medium sized company made it impossible to have inspections of the suppliers at the other end of the world, as auditing and controlling would be too costly and too time consuming. Therefore, smaller companies were asking for independent ways to control suppliers and for the introduction of inspections. Some managers of Alibaba.com were quite sure that this could be achieved by introducing internationally recognized labels. As a consequence, customer would directly know how sustainable a supplier operated, how fair the working conditions were and which quality the products had. This would simplify the selection process and quicken it enormously. Another possibility, which was brought into discussion, was to push political regulations, which should prohibit child labor and set standards with regard to the quality of products and the degree of sustainability of firms. Subsequently the needed improvement on Alibaba.com would not be as intense anymore. On the one hand, the customer would know more details about the Chinese market and on the other hand he would be given more certainty, as many parts and processes would be regulated by the government.

Language difficulties, cultural differences and misunderstandings increased the challenge of the selection process, too. The European way of making business differed enormously from the Chinese one. Even short, rather insignificant conversations via email or phone could lead to enormous misunderstandings. Jack Ma himself often experienced great confusion while visiting other countries during his business travels. Fortunately, this never affected business seriously, but he had learned to always take cultural differences always into account.

Furthermore, cases of fraud discouraged customers to select their suppliers via the platform Alibaba.com. As many European and American newspapers reported, fraud was a great danger on Alibaba.com. There was no insurance which compensated victims of fraud, and one incident could damage the customer badly (The Economist online, 2011). Ma was aware of the fact that his platform was misused by fraudsters. That was why he had already established processes to identify fraudsters before they had the chance to cause immense damage. However, solving the whole problem took time and was extremely complicated and it was a matter of fact that the external pressure on Alibaba.com and consequently on Ma was growing rapidly. The threat of losing too many customers because of a destroyed basis of trust, due to some bad performing suppliers or fraudsters, rose continuously. Ma knew he needed to reassure Alibaba.com's reputation in the western world in order to be successful in the future, too. Furthermore, he needed to find a way to approach the demands of the western customers with regard to sustainability, child labor and quality checks.

3.2 Asian Perspective

Jack Ma claimed for Alibaba.com to become known as the best employer with the highest corporate responsibility. Alibaba's CR helped small and mid-sized businesses in China to grow while there was the need to create jobs. Because Alibaba had gained the trust of traders outside China, it could be a bridge to bring small Chinese companies to the world market. Many small villages nowadays made their living by selling goods over Alibaba.com. With regard to Alibaba's CEO with great power comes great responsibility – the responsibility to care for small businesses and people in need around the world (The Business Ethics Blog, 2014). The mission was “to make it easy to do business anywhere” (Alibaba Group, 2015). By changing the way small businesses and entrepreneurs conducted business and giving consumers access to a broader selection of products and services, the various online and mobile commerce properties played a leading role in creating jobs and grass rooted economic opportunities in China and around the world (Alibaba Group, 2015).

Alibaba.com had changed the picture of China and experts knew that it would continue to do so in the future. Many of the initially listed companies and entrepreneurs on Alibaba had become high standard manufacturers and offered a huge variety of products on the platform. With the new quality of products and labor conditions for its employees, these suppliers now seek a possibility to proudly signal their standards to their customers. “A supplier search for LED bulb lights for instance provided, as of now, 2,836 suppliers – and 1,758,108 listed products. Many of these were minor trading companies, rather than manufacturers (alibabafraud.com, 2013). But among these almost 3,000 listed suppliers, there were some of China's finest companies” (Grönkvist, 2014). How could they send a signal to their customers? The companies claimed for visibility of their international quality and social certificates as well as labels, awarded by independent third party institutes. This could send a trustworthy signal to the customers and would help them to find the right supplier. Along with higher working and social standards often came higher production costs, which raised the prices for the companies' products. The labels and certificates could help to justify these costs and make corporate responsible companies more competitive. Some of the high standard suppliers even claimed to erase the so called “sweatshops” completely from the Alibaba listing. Companies that could not pay a fair salary and abused their employees caused lasting damage to the image of all suppliers in Asia. Other high standard manufacturers suggested a less harsh approach. They would have liked to introduce a ranking system on the platform, where Alibaba or third party institutions could rank the suppliers based on quality, labor, reliability and social and environmental issues.

While established companies demanded a space on the platform for showing their quality standards, many of the supplier newcomers had no interest to put their cards on the table.

Often they were not able to pay fair wages or to offer good working conditions. Better standards could often only evolve over time in a long lasting process. Once a client base was secured and a startup began to grow, many of the suppliers gave something back to their employees and improved the working conditions step by step. A stop for listing suppliers with poor standards and no labels would have meant the economic death of many small sized Chinese companies. For the newcomers on the Alibaba platform, corporate and social responsibility meant also giving people work and securing their survival. Improving working conditions was only a downstream challenge for the Asian economy. Apart from that many of the smaller suppliers were not even aware of the certificates and labels that could signal international standards to their customers. Alibaba still missed the chance to draw their supplier's attention on improving quality and working conditions as well as connecting suppliers with NGOs or institutes that could provide assistance to measure and improve the situation in many companies.

Nevertheless, Alibaba knew about the mentioned problems and had already tried to take actions. As pointed out before, Western companies were increasingly searching for certified suppliers which fulfilled ISO9001, SA8000, CSC9000 and similar standards. Nevertheless, Alibaba missed to include such certifications on its platform. The quality signal a supplier could send was called the Alibaba "GOLD Supplier". It was a membership service offered by Alibaba.com. Not anyone could be listed. First, one needed to be able to pay the yearly membership fee, ranging between US\$5,000 to US\$10,000. The applicant also had to be a legally registered entity. Alibaba additionally checked and verified the applicant's documents such as the business license (Grönkvist, 2014). This data could be an incredible resource when sourcing suppliers in China, and other developing countries – where normally one will not be able to find publicly available company records. Through this information, an experienced customer could determine if the supplier was a minor trader or a leading manufacturer. However, this required the know-how to interpret the data, and this know-how was hard to find within the ordinary western startups and small sized companies. In the end Alibaba.com could only check whether the business was registered in its local business administration region. This verification did not verify the integrity or labor standards of the business, nor did it verify the authenticity or quality of goods listed by the seller. In fact, Alibaba did not verify the authenticity of any goods listed for sale by sellers (including "Gold Suppliers") or the authority of sellers to offer any listed goods for sale. Alibaba did not and could not guarantee the authenticity or genuineness of any of the goods listed for sale by sellers (Alibaba.com, 2015).

As the golden membership did not decisively change the selection process Alibaba also offered an inspection service as well as an insurance against fraud. Unfortunately, this was a

slap in the Chinese face to the so-called “core values” in the country by a businessman. When a society’s fundamental ethical principles needed to be protected by insurances, how would it show civilization and harmony (GB Times, 2015)? Jack Ma crucially needed to rethink the values of his company and what corporate responsibility meant to Alibaba. As the decision affected many different parties and also the image of whole China, he should probably also have considered to base company values on Chinese values and policy to avoid public damages. The challenge in China would be to find the fine balance to please the wish of every party.

On top of that Ma’s decision for China could be seen as a role model for other countries in Asia. Many newcomer as well as established manufacturers all over the continent watched Alibaba’s firm policy carefully. With the opening and liberalization of many markets in former communist countries the people hoped for a quick entry into the global economy. An open platform with little listing rules would be the fastest way to replicate the success of the Chinese firms’ model. Nevertheless, there were also independent approaches of Asian companies to enter the European market. As the Chinese culture and policy is not generally appreciated by everyone, the open cultures of South Korea and Japan could offer different opportunities to enter new markets for emerging nations with less dependency on one giant player like Alibaba. Thus stricter rules on the Alibaba webpage could not only affect the firm’s future image but also shape the political and social development of a whole continent.

3.3 Critics from NGO’s

On Alibaba.com’s website, it was not possible to find any logos of labels or ecolabels that proofed that Alibaba.com itself or its suppliers respected any international accepted standards. The only information which could be found was the website itself that proposed to sell some price labels or self-adhesive labels.

First, it was necessary to mention that from the perspective of NGOs a lot of information was missing, insufficient or incomplete as for example there were no independent controls of working standards, no environmental protection principles and no data on human rights at Alibaba.com. Although it was a well-known fact, that Alibaba was not able to control every supplier and the degree it had implemented sustainable standards, NGOs wanted the firm to be more active. Some NGOs also denounced Alibaba.com of supporting suppliers who operated accepting bad environmental damage and/or without respect for the workers’ rights. The accusation also included that the Alibaba Group and also the Chinese government helped to conceal the bad truth. From the perspective of the NGOs it was sure that some suppliers abused children by using them as cheap staff and exceeded the maximum amount of working hours by day of all workers. As a matter of fact, those companies often were very

small and thus even more difficult to be controlled. Furthermore, small firms were more likely to employ children, as this was an easy way to reduce costs.

Secondly, from the NGO perspective a suppliers' ranking of Alibaba.com could not be taken seriously by many people. Indeed, if a supplier wanted to obtain the title of "gold supplier" he just had to buy it but he did not have the duty to fulfil any standards at all. The only things that were required to be a "gold supplier" were an amount of \$8000 by year and to be listed as an existing legal company. Through the completion of the verification process, Alibaba.com could only check whether the business was registered in its local business administration region. This verification did not verify the integrity of the business, nor did it verify the authenticity or quality of goods listed by the seller and the environmental operating standards and working conditions.

To conclude the NGO perspective, it was a fact that Alibaba.com was one of the main players in China. Therefore, the company was extremely responsible with regard to social responsibility and was a role model for China.

4. Evaluation: Impact on policy, development and long term growth of Alibaba

Having all three complex perspectives in mind Jack Ma knew that aligning them all was more than a very huge challenge. To his mind, this was a test to his company but also to the whole Republic of China. Aligning the three clashing points of view would be necessary to stay competitive in an international market for China. Nevertheless, deep in his heart he wanted to find a long-term solution and to pioneer with his company not only to save his business, but also in order to create a role model especially for Chinese firms. From his point of view, he owed this to his home country China and the country's future.

Alibaba.com's customers of the western world asked definitely for more transparency with regard to quality of the supplied products and for corporate responsibility. Additionally, the ordering processes should be shortened and simplified. In addition, NGOs from all over the world claimed for the involvement of labels and certain production standards in order to protect human rights, nature and the customer. By having those two perspectives in mind, Ma had strong difficulties to align them with the Asian perspective. He agreed that some firms had terrible production standards and that more transparency was needed. However, the requirement for excluding all suppliers who did not fulfill certain rights appeared wrong to him, too. By founding Alibaba.com, he was able to promote businesses at the countryside, which provided many people with work alternative to the agricultural sector. For sure some

of these companies did not follow any labels or workers' rights, but they were an improvement for the people from the underdeveloped areas. Delisting these companies and in turn these workers from the Alibaba webpage would probably not help to improve the situation at all. The Western aim was to stand up for workers' rights and a fair payment. But by delisting these firms the employees would be forced to work for lower wages under the hard working conditions of a backward agricultural sector again.

One example always came to his mind. Especially child labor was criticized by the Western world and NGOs. In general, he totally agreed with castigating the employment of children. However, knowing the blamed firms and the hired children he was afraid that dismissing them would worsen their situation, as there was no better place to go. There were no schools or aid programs supporting them or their families. The missing salary would harm the families enormously and would put the children in great danger. Therefore, Ma thought of a program, which helped firms to improve the working conditions. Maybe there was a way to reduce child labor slowly while alternative solutions for the young workers were created in cooperation with the respective firm, NGOs and representatives of the western world.

However, Ma still was not sure, whether the world was ready for such a project and whether the end customers would understand that part-time child labor was sometimes needed in order to improve the perspectives of Chinese children sustainably in the long run. Which course in terms of corporate sustainability was the right one for China and what would be the next steps? What does corporate sustainability mean to Alibaba.com?

Also, Ma feared to hand over too much power to the NGOs' for evaluating the listed suppliers. He was used to be in control of all the processes at alibaba.com and felt his power to be endangered by handing in too much responsibilities to the independent NGOs.

Furthermore, Ma learned that projects of such a scale always need a good communication and had to be prepared very detailed. Therefore, he decided to invite his trust worthiest managers for a meeting on developing and elaborating a solution on corporate sustainability issues for aliaba.com.

5. Possible solutions and first steps

Having spent three days of lively and exhausting discussion Jack Ma and his managers agreed on several possible solutions for meeting the challenge of aligning the three perspectives on corporate responsibility. They discussed about minimum listing standards for Alibaba.com, ranking systems for suppliers, including NGOs in the controlling program,

helping companies to become sustainable and about excluding companies from Alibaba.com. Finally, they agreed on three possible scenarios which should be evaluated and tested.

First possible scenario

The first possibility was to aim at the improvement of the working conditions of every supplier step by step. The idea was to help the already listed suppliers to establish a stable client base and to develop a sustainable business plan. This should be done in coordination and consultation with advisers from Alibaba.com itself. Alibaba.com would have a supportive role. By improving the suppliers' businesses on an economic level, the firms would gradually realize a more stable return. Hence, companies would be able to improve the working conditions for their employees slowly and thus in general their corporate sustainability engagement. As a matter of fact, further financial resources would be needed although Alibaba.com was willing to take a huge part of the financing. However, additional staff supporting the respective company is costly. Therefore, the managers came up with the idea that the costs could be covered by charging every listed firm a small percentage of their sales. That meant, the suppliers would not only help each other but also support a reputation improvement for the firms listed on Alibaba.com. However, Ma and his managers feared that the already very successful companies, which had an established client base, might not be satisfied by this plan. They had to be convinced by showing them how a better overall reputation for each listed supplier could affect and increase their revenues as well.

Second possible scenario

The second possibility was to exclude companies which did not fulfill certain standards with regards to corporate responsibility, environmental issues and human rights. Therefore, companies that did not fulfill certain standards but were already listed would be delisted in the long run. Companies that wanted to be listed but did not operate appropriately would not be listed anymore. In order to control the listed firms and whether their situation was acceptable, Alibaba.com thought about including a well-known third party: NGO. Ma, who liked to pull the strings, was not that convinced of the idea of including a third party. Nevertheless, he liked the idea of an additional signaling platform. It would be implemented in order to offer a possibility to suppliers to signal quality and working standards. Therefore, good operating companies would be rewarded and bad ones would be punished as it would be totally visible for customers how each firm performed. Financing would be done the same way as elaborated for solution one.

Third possible scenario

The third and last possible solution was a combination of the initial two possibilities. As well as in solution two minimal standards needed to be fulfilled by every firm that was listed on Alibaba.com. Every firm below those standards could not be listed on the webpage any longer. All companies that were newly listed on Alibaba.com had to achieve the next higher stage level of standards within the first year. Within the second year a company had to achieve the next level minimum standard and so forth. Also companies that were already listed at Alibaba.com were assigned to the introduced level system. Within every year, they also needed to achieve the next higher level. By implementing this system, Alibaba.com would trigger a constant improvement among all its suppliers. Those who did not fulfill the requested standards would have to face severe sanctions. In order to support **its** suppliers, Alibaba.com would help them to achieve a customer basis, to create a business plan and to implement new standards. Additionally, there was no third party involved in the controlling system.

Ma and his managers were still not sure which solution would be the best for their company. Especially among the managers was a high uncertainty about the choice set, as it could affect and change the whole business of Alibaba.com and the Chinese economy. Ma was aware of the fact that the first step was to decide for one solution and then to convince every manager of the plan in order to face the new challenge as a team. He preferred one of them, but he knew that among his managers were a lot of fears. First some did not really understand the necessity to change something with regard to corporate responsibility. Although they had been involved in the development process of the possible solutions, they thought it was rather a European issue than an Asian one and silently they disagreed with Ma. Others feared to lose the big important suppliers, which already performed well. A fear which Ma had always shared. However, he knew that this risk had to be taken in order to stay competitive and to grow over time. Nevertheless, how should he, as the CEO and founder of Alibaba.com meet those fears? He was convinced that his team was extremely important for turning his visions into reality.

6. Outlook

Jack Ma is sitting in his office and is thinking about the meeting, which is going to take place in about an hour and which is aimed on deciding which solution is going to be implemented. Still he is not sure which of the possible solutions will be chosen. Unfortunately, he also knows that the Chinese government was informed about Alibaba.com's new strategy. Hence,

governmental representatives closely look at its next steps, since they are aware of how strongly this might affect China. Ma hopes to find a solution the whole team can agree on. Also he knows that communicating the whole issue is maybe the biggest challenge he has ever been facing. The idea of not being able to help Chinese people by banning suppliers from the market is very important to him. A change of thinking is needed. People have to understand that accepting firms which do not strongly care about corporate responsibility might be better than delisting them long term. Helping those companies to improve step by step is the essential solution for actually helping for example employed children. Still Jack Ma does not know which communication strategy is the best one to convince especially NGOs and the western world of this opinion.

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