



# WHAT MAKES JACK MA RUN?

The Alibaba founder has learned that having partnerships makes success sweeter, especially while trying to hold his own against Bill Gates.

**TOP VIEW** | ALIBABA, the biggest Internet company in China, has turned Jack Ma into a global force. His second venture on the World Wide Web, Alibaba was started by Ma nine years ago with a little help from some high-powered friends, including Yahoo cofounder Jerry Yang. But it hasn't always been easy. It's a good thing that growing up in China taught Ma how to cultivate connections and quickly adapt to change.

**J**ack Ma is starting to grow accustomed to being one of the richest people in China. He talks about the big ways in which he would like to use his money—cleaning up China's defiled environment and bringing in the technology needed to make the nation's 900 million farmers more productive so that the country can be better fed. "In my life, what is important is that I can do something that can influence many, many people and can influence China's development," says Ma, 43. He is sitting in his modest office near Hangzhou's scenic West Lake, in a building where the lobby is lined with video screens beaming his face.

Alibaba, the B2B e-commerce site that Ma founded in 1999 and took public with a \$1.5 billion IPO in November 2007—the largest Internet IPO since Google went public in 2004—is now the biggest listed Chinese Internet company, with a market cap of nearly \$13 billion. Ma himself has an E. T.-like face and a tech-nerd demeanor that belie his ability to grab the spotlight. If you haven't already spotted him at the World Economic Forum summit in Davos or teeing off on a golf course, he is the undernourished-looking guy who wears sweaters that drag down over his wrists and slacks at least one size too large. He likes to make sheepish public pronouncements about being a "tech dummy," and about Alibaba, named for the "open, sesame" connotation, being a company that started with "1,001 mistakes."

There is not much room for mistakes now, however. Ma is considering selling at least part of his stake in Alibaba after November of this year, when the lock-up period for major shareholders ends. First, though, he has to complete some serious

negotiations involving the likes of Bill Gates, Jerry Yang and Masayoshi Son, the president of Japan's SoftBank. Ma didn't quite plan it that way, but his company's future has become intertwined with Microsoft and Carl Icahn's efforts to gain control of Yahoo, whose cofounder, Yang, is an old friend.

Friends can come in very handy. In October 2005, Alibaba purchased Yahoo China. Two years later, Yang, a U.S. citizen, was summoned before the House Foreign Affairs Committee to explain Yahoo's role in turning over

private emails to the Chinese government, which ultimately led to the arrest and conviction of two pro-democracy advocates. However Yang's defense has been that the Chinese subsidiary run by Ma, a Chinese citizen, has no choice but to comply with government orders.

Alibaba is not a consumer search engine, and therefore not a competitor with Yahoo. Rather, its core business can best be described as an online coming-out party for small and mid-size Chinese companies that would

otherwise have no Internet presence, making it possible for the world's buyers to find them. Alibaba also has an auction portal, Taobao, which is more popular than eBay in China, and several online business services.

Yahoo owns a 39 percent stake in Alibaba, and that is where the tangled web of friends and foes really begins. Ma has hired advisors to help negotiate an independent role for Alibaba's management if another company takes over Yahoo. And SoftBank, which owns another 30 percent of Alibaba,

## JACK MA'S PLACE IN THE WORLD

**[Q&A]** FROM A YOUNG AGE, Jack Ma was aware that the world is a large and opportunity-rich place, and in the late 1990s he finally struck pay dirt. WORTH correspondent Rebecca A. Fannin sat down with Ma at his office to discuss luck, success and conducting business in China.

*When did you start to discover the world outside of China?* When I was 12, I suddenly got interested in learning English. There was a hotel at West Lake where a lot of foreign tourists visited when China just opened up. I rode my bike 40 minutes every morning for eight years to that hotel to practice my English, whether rain or snow. When the foreign visitors came out of the hotel, I showed them around as a free guide. Those eight years deeply changed me. I started to become more global-minded than most of the Chinese. The things I learned from my teachers and the books were different from what the foreign visitors told us.

But the event that fundamentally changed me was in 1979. I met a family from Australia, and we became pen pals for seven years. Then, in 1985, they invited me to go to Australia for a vacation. I went in July, and those 31 days changed my life. Before I left China, I was educated that China was the richest, happiest country in the world. So when I arrived in Australia, I thought, oh my god, everything is different from what I was told. Since then, I start to think differently. I don't follow people. I am using my own way of thinking—what is true, what is not true.

*What is your view of censorship of the Internet in China, particularly given the trouble that Yahoo got into it by handing over the name of one of its email users?* I do what I feel comfortable with. Why do you want to do something that makes the government unhappy? They tell us there are one or two things you don't touch. So I don't touch it.

*Would you turn over the names of individual users on Yahoo China?* If the government gave me a reason—like national security issues, terrorism or drugs—I will cooperate. Criminal things, definitely!

*How were you affected by the events at Tiananmen Square in 1989?* I was in university and I got a very mysterious disease; I could not even walk. I just lay in the bed for two weeks. But, ultimately I decided, you can always complain of the past. Let's look forward. We don't want to see the blood. It's done. We want everything to move ahead.

*How has success changed your life?* I am working harder than I ever did. The year after we took over Yahoo China was my busiest in my past three years. I got a lot of gray hairs.

*What do your parents think of your success?* They don't understand what I do. They are Internet dummies. They know I never do anything bad for society.

*Did you ever have a fear that you wouldn't make it?* No, the biggest fear in the world is to give up. If you don't give up, you still have a chance.

*Are you a lucky person?* Oh yes, I am a lucky person all the time. Things always go my way. If something bad happens, I think optimistically.

*You've talked about taking lessons from kung fu and applying them in business. Name one.* Focus, especially when you are small. Use the brain, not the power and strength you have.

is trying to form an alliance with Alibaba and Yahoo to prevent Google from dominating the rapidly growing market for Internet access via cellular phone. An important ally in the fight against Google is none other than Microsoft.

#### WEAVING CHINA'S NET

Ma, born in Hangzhou in 1965 at the start of the Chinese Cultural Revolution, is no stranger to a world of contradictions. His bourgeois parents had bad class backgrounds in Mao's China and were doomed to low-level jobs. His mother was employed at a garment factory; his father worked in a photo shop and headed a local drama association on the side. "As a kid, in the evenings, I would listen to people talking about stories," says Ma, who had the good fortune of growing up in scenic Hangzhou, an early magnet for foreigners when the country began to open up in the late 1970s. At the age of 13, he started guiding tourists around the city. "I became more Western-thinking than Chinese-thinking," he says. Later, after graduating from Hangzhou Teachers University, Ma became an English-language instructor for five years.

It was in 1995 that Ma first used a computer keyboard and tried searching the Internet. He was in Seattle, working as a translator for a trade delegation, and he typed in the words "beer" and "China." When his search returned nothing, he vowed to put his homeland into the Internet mainstream. His first startup, China Pages, was well timed, but he bolted from it after a joint venture left him with little say in management decisions. He made another effort in 1999, gathering 17 friends and colleagues in his apartment in Hangzhou and pitching them on his dream to build an online global trade fair for the country's mom-and-pop businesses.

Together, they came up with \$60,000 to start Alibaba.

Ma was able to get Alibaba on the Internet through his ability to cultivate *guanxi* (or all-important connections) with figures including SoftBank's Son, who has been an important mentor and confidante, and Daniel Mao, a venture capitalist whose father-in-law is Chinese president Hu Jintao. Joseph Tzeng, a venture capitalist with Crystal Ventures in Shanghai, recalls Ma telling him that his dream was to "saddle up with Yahoo." He was surprised to see how quickly Ma succeeded. Ma and Yang met in the late 1990s, when Ma was spearheading a newly created Chinese government e-commerce initiative and landed the assignment of accompanying Yang on a tour of the Great Wall and the Summer Palace.

As for the 1,001 mistakes, Ma readily confesses to being overconfident in the early days of Alibaba and getting caught up in the dot-com frenzy. Flush with investors' cash raised in 1999 and 2000, he overexpanded—a familiar tale. Just before the bubble burst in late 2000, he had 200 staffers in Silicon Valley, Hong Kong, Europe and South Korea, many of them on expensive expatriate salaries. By the end of that year, the company was burning through \$2 million a month and had \$10 million in the bank. At that rate, it had five months to survive.

#### UNCONVENTIONAL CUSTOMS

Ma was wise enough to take immediate action. He recruited former General Electric Asia executive Savio Kwan as his chief operating officer and began closing offices and eliminating jobs. After weighing several business models and nixing the common Chinese practice of offering bribes, Ma, Kwan and chief financial officer Joe Tsai refocused Alibaba's dwindling resources on the one promising line: an online listing of small Chinese suppliers selling

their goods abroad. Through an incentive program that offered its young sales force poems penned by Kwan in lieu of monetary bonuses, Alibaba eked out a profit with revenues of \$10 million by 2002. As the financial picture brightened, Ma added more hedonistic incentives, such as dinner at top restaurants and trips to Las Vegas. By 2003, revenues soared to \$30 million, and upward of \$67 million in 2004.

What has helped immeasurably in making Alibaba a brand name is the fact that Ma was never shy about using grandstand acts to get publicity. Take, for instance, the time in winter 2003, when he convinced his top salesman to jump into then-icy West Lake as a penalty for not making an 85 percent renewal quota. TV crews arrived to find dozens of staffers waving Alibaba banners and cheering the salesman on.

When it comes to his own \$1.6 billion net worth, about the only trapping that Ma has taken up, besides a \$38 million apartment in Hong Kong, is golf—a sport that just a few years ago he called a "waste of time." Now he has a professional golf coach. Ma and his wife, Cathy Zhang, a college classmate and a cofounder of Alibaba, have also thought about social responsibility and donated \$144,000 to the Sichuan earthquake relief effort.

"He doesn't know how much money he has," says Kwan, who retired as Alibaba's chief operating officer in 2005 and is now an informal advisor to the company. "Jack's focus is not on money," he says. What makes Ma run, adds Tina Ju, a Shanghai-based venture investor and a former board observer at Alibaba, is trying to accomplish the impossible. "He really likes to go deep-sea fishing, go for the kill, do something others can't do." ■

*Rebecca A. Fannin is the author of Silicon Dragon: How China Is Winning the Tech Race.*