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Alibaba: Entrepreneurial growth and global expansion in B2B/B2C markets

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Abstract The purpose of this case-based research is to analyze and discuss Alibaba Group (hereafter Alibaba) and its entrepreneurial growth and global expansion in B2B/B2C markets. The paper uses company and industry-specific data and surveys to analyze a fast growing Chinese B2B/B2C firm and its internationalization and expansion in global markets. Findings of the work reveal that in a short time, Alibaba has become a major entrepreneurial icon and global player and continues to grow worldwide because of its well-planned business initiatives and B2B/B2C-based business models. The paper also provides implications in the area of international entrepreneurship and its related areas. International entrepreneurs need to learn from Alibaba's fast growing business model and dynamic growth because of its competitive platforms and Web-based strategies which helped the company to target small and medium-sized enterprises (SMEs) in global markets. Within the areas of international entrepreneurship and international business, the paper also provides discussion which deals with the changing e-commerce industry and its future growth and developments. El objetivo de esta investigación basada en casos de negocios es analizar y discutir el Grupo Alibaba (de aquí en adelante Alibaba) y su crecimiento empresarial y la expansión global en mercados de B2B/B2C. El ensayo utiliza estadísticas y encuestas específicas a la compañía e industria para analizar una empresa china B2B/B2C y su internalización y expansión en los mercados globales. Los resultados del estudio revelan que dentro de un período breve, Alibaba ha llegado a ser un icono empresarial y un actor global y que continúa a crecer globalmente por causa de sus iniciativas negociantes bien planeadas y sus modelos de negocio basados en el B2B/B2C. La investigación también da implicaciones relacionadas al espíritu emprendedor internacional y sus cualidades relacionadas. Creemos que los empresarios internacionales deben aprender del modelo de negocio de Alibaba que se expande de una forma rápida y el crecimiento dinámico

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que resulta de sus plataformas competitivas y sus estrategias digitales que han ayudado a la compañía captar a empresas pequeñas y medianas (SMEs) dentro de los mercados globales. En las áreas del emprendimiento internacional y los negocios internacionales, el ensayo también ofrece una discusión relacionada a la industria variable del comercio digital y su crecimiento y desarrollo futuro.

Keywords Alibaba · B2B/B2C markets · China · Entrepreneurial growth · Expansion · Global

Palabras clave Alibaba · Mercados de B2B/B2C · China · Crecimiento empresarial · Expansión · Global

Summary highlights

Contributions This case-based research investigates Alibaba Group and its entrepreneurial growth and global expansion in B2B/B2C markets. The paper provides useful implications in the area of international entrepreneurship and its related areas.

Research questions/purpose The purpose of this case-based research is to analyze and discuss Alibaba and its entrepreneurial growth in China and global markets. We achieve this purpose by analyzing the company's entrepreneurial growth and planned initiatives in the fast changing online marketplaces and e-commerce industry.

Results/findings Findings of the work reveal that in a short time, Alibaba has become a major entrepreneurial icon and global player and continues to grow worldwide because of its well-planned business initiatives and B2B/B2C-based business models.

Limitations The work does not use primary data which could be a limitation in this case-based research. At the same time, secondary data is scientific and relevant in the case.

Theoretical implications and recommendations The paper's implications are related to the area of international entrepreneurship. International entrepreneurs need to learn from Alibaba's fast growing business model and dynamic growth because of its competitive platforms and Web-based strategies which helped the company to target small and medium-sized enterprises (SMEs) in global markets.

Managerial and policy implications and recommendations In international entrepreneurship, it is important to learn from Alibaba's fast growing business model and its entrepreneurial initiatives.

Introduction

The purpose of this case-based research is to analyze and discuss Alibaba and its entrepreneurial growth (1999–2017) in China and global markets. We achieve this purpose by analyzing the company's entrepreneurial growth and planned initiatives in the fast changing online marketplaces and e-commerce industry. In today's commercial world, "business is about creating value" (Kumar and Reinartz 2016, p. 36) and "understanding customer experience throughout the customer journey" (Lemon and Verhoef 2016, p. 69). Within these changing perspectives and innovative business models, Alibaba is a "neutral e-marketplace"/"independent intermediary" (Zhao et al. 2009, p. 105) and an information technology (IT)-based "digital business ecosystem" which encompasses a diverse array of B2B/B2C Web assets and portals (Tan et al. 2009, p. 2). As of 2017, the company manages "the biggest e-commerce site" in the world (Powell 2017, p. 29). In addition, within today's connected world as well as the Internet of Things (IoT) (see: Georgakopoulos and Jayaraman 2016; Karkouch et al. 2016; Porter and Heppelmann 2014, 2015), Alibaba is also an amalgam of well-planned "multi-sided platforms" which aim at delivering the needed "infrastructure," "services," and "triangular exchanges" (Tan et al. 2015, p. 250). Within the domains of "international entrepreneurship as a dynamic adaptive system" (Etemad 2004, p. 5), "international entrepreneurial orientation-performance" (Etemad 2015, p. 169), and "exploitation of opportunities that cross national borders" (Li 2013, p. 158), this paper investigates a business entity that truly epitomizes entrepreneurial vigor, tangible growth, and long-term global ambitions.

The concept of entrepreneurial growth is based on well-planned corporate initiatives that may lead to fast and tangible expansion and visibility in global markets. By being an agile and innovative firm, Alibaba has become the largest B2B firm in the world because of its unique business model and well-planned international expansion (Kim et al. 2016). Along with other entrepreneurial firms, Alibaba is also a classic example in the area of international entrepreneurship which targets small and medium-sized enterprises (SMEs) and other businesses in global markets. The company was started by Jack Ma in 1999 with 17 associates in Hangzhou, China.

In the last 20 years, B2B and B2C markets have witnessed major structural changes and the emergence of new business models, online marketplaces, and Web-based platforms which aim at operational efficiencies in the value chain. These markets are also the result of new technologies and globalization which brought efficiencies and new opportunities in international entrepreneurship (Cockayne 2016). In just 20 years, e-commerce has grown significantly with diverse business models and efficient markets (Goldmanis et al. 2009; Tapscott and Williams 2010). Because of the importance of Web-based markets and SMEs' growth (Javalgi et al. 2011; Sarin 2012), Alibaba has become a major B2B company and an online marketplace. The company continues to grow by leaps and bounds beyond China and has made strategic investments and alliances with firms such as Yahoo, Microsoft, Softbank, and others. Alibaba's mission statement says: "To make it easy to do business anywhere" (Alibaba.com 2010–2017) which definitely reflects its global ambitions and expansion. No wonder The Economist (2006, p. 78) called Ma "China's pied piper."

Alibaba's entrepreneurial model maintains a large online marketplace and specializes in connecting SMEs over the Internet in global markets. Alibaba has millions of registered users in over 240 countries. The company also deals with B2C markets through its retailing Website called Taobao. Alibaba specifically provides client-based subscription services that allow SMEs to post and advertise their products on the company's Website. The primary purpose of this illustrative case is to examine

Alibaba's entrepreneurial growth and expansion in the changing B2B/B2C markets. The paper also analyzes current and future trends that impact online marketplaces and their worldwide customers (Alibaba.com 2010–2017).

Alibaba maintains ten distinct B2B and B2C Web platforms that are available for SMEs and other consumers worldwide (see Fig. 1 and Table 2). The company employs 19,000 workers and associates in 60 cities worldwide. As a collective entity, Alibaba's Web businesses and online marketplaces are an amalgam of B2B/B2C platforms that strategically combine technology, efficient value chains, and networks, leading to exchange of products and services. The company's main site is called Alibaba.com which is further divided into separate portals. These include Taobao Marketplace (online shopping), Tmall.com (third-party online platform), Juhuasuan (sales and marketing platform), Aliexpress (retail platform), Alibaba.com (B2B wholesale marketplace), and 1688.com (wholesale marketplace for China). Additional sites are Alimama (Technology platform), Alibaba Cloud (cloud computing), Ant Financial Services Group (for small enterprises), and Cainiao Network (logistics network firm). Basically Alibaba is a facilitator in an online global value chain that stays open 24 hours a day by creating efficiencies and connecting SMEs and other consumers (Alibaba.com 2010–2017; see Fig. 1 and Table 2).

Alibaba is one of the beneficiaries of today's Web-based technologies and efficient platforms which were started during the Web 1.0 period in the 1990s. The company specifically took advantage from its "information systems (IS)" and well-designed "multi-sided platforms (MSPs)" in the growth process (Tan et al. 2015, p. 248). Alibaba is also among China's "disruptors" in the digital and business industries which are well-known in global markets (Anwar 2013; Tse 2015, p. 1; see Table 4). Since "early internationalization" can help companies to take the lead in global markets (Zhou et al. 2012, p. 25), Alibaba used this strategy regarding becoming a first-mover firm by starting its SME-related online marketplace. Table 1 reveals that the company's

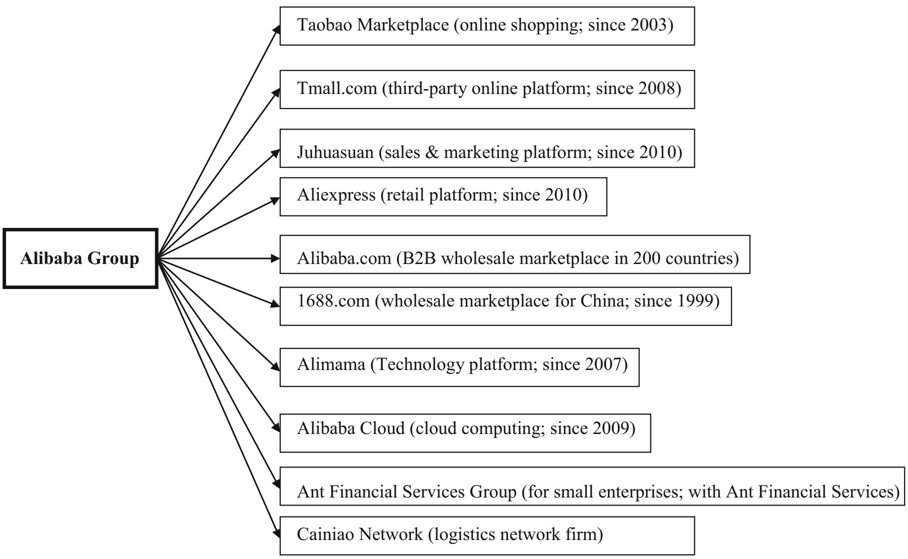

Fig. 1 Businesses and Web properties of Alibaba Group (2016–2017). Source: Alibaba.com (2010-2017)

revenue exceeded $23 billion with a profit of $8.5 billion in 2016. During the same period, Alibaba's market capitalization reached over $300 billion with a net profit margin of 37% (Patrikis 2017). Other financial data and statistics are provided in Table 1 which clearly reveals that Alibaba's market growth, expansion, and business model is based on its entrepreneurial initiatives and Ma's visionary thinking. Table 2 provides Alibaba's B2B/B2C-related products and services which the company lists on its portals and Websites. As expected from B2B/B2C Web companies, Alibaba's product offerings are strategically diverse, commercially timely, and immensely practical within today's SME needs and growth. The company deals with a wide array of businesses and consumer-related categories where value chains remain secure and profitable (Alibaba.com 2010–2017; see Table 2).

The dotcom revolution and its crisis in the late 1990s witnessed a multitude of corporate failures and bankruptcies. At the same time, the post-dotcom era also brought successes because of the availability of new technologies, efficient value chains, and surge in global demand. Some of the winners of the post-dotcom period and Web 2.0 include Google, Amazon, Baidu, Facebook, Softbank, Apple, Sohu, Tencent, and others. Alibaba is also one of the survivors of the post-dotcom period because of its competitive business model and an online marketplace (see Fig. 1 and Table 2).

To discuss further, this paper is divided into the following sections. Section 1 briefly introduces Alibaba and its B2B/B2C markets. Section 2 provides history and timeline of the company. Section 3 sheds light on the changing B2B/B2C markets and their multifaceted trends and developments. Section 4 discusses Alibaba's global expansion and growth opportunities. Section 5 wraps up the case by looking at future trends and expansion of the company followed by implications and concluding comments.

History, timeline, and entrepreneurial initiatives

In the last 17 years, Alibaba has become a major B2B/B2C company in global business and has attracted the media and academic researchers because of its viable operations. International newspapers and periodicals regularly cover the company and its online marketplaces. Academic researchers have investigated Alibaba because of its diverse portals, IT-based "digital business ecosystems" (Tan et al. 2009, p. 2), and "multi-sided platforms" (Tan et al. 2015, p. 250). In the fast emerging "online-shopping ecosystem" in China (Walters et al. 2011, p. 13), the IS/IT- and business-related literature which investigated Alibaba includes diverse topics and research domains. These are fraud and counterfeit issues and "secondary liability for e-commerce platforms" (Chen et al. 2015; Ferrante 2015a, b; Zuccaro 2016, p. 144), company history, affiliated businesses and growth patterns (Clark 2016; Crainer 2010; Erisman 2015; Han et al. 2015), service and software issues (Du et al. 2013), and internationalization (Jung et al. 2015). Other Alibaba-related literature encompasses FDI and variable interest entities (Johnson 2014–2015) and the company's "process-oriented approach" and its facilitating structures in e-marketplace (Zhao et al. 2008, p. 242; Zhao et al. 2009).

Table 3 and Fig. 3 provide Alibaba's brief history (1999–2017), timeline, and the company's stock information (2014–2017). Ma founded Alibaba with his 17 associates in Hangzhou, China, in June 1999. Unlike other Chinese firms which took the route of exporting (Naudé and Rossouw 2010), Alibaba on the contrary was established as a

Table 1 Selected financial data and investments of Alibaba (2014–2017)

	2014	2015	2016	2017[a]
Financial data:				
Market capitalization ($ billion)	225	234	194	304
Revenues ($ million)	12,293	15,827	20,500	28,250
Net profit ($ million)	3914.0	4483.0	625	9425
Net profit margin (%)	31.80	28.30	30.50	33.50
Operating margin (%)	77.30	67.50	67.50	41.50
Income tax rate (%)	19.80	21.70	20.0	22.50
Working capital ($ million)	16,525	12,721	25,000	27,500
Long-term debt ($ million)	8160	8292	8000	10,000
Shareholder equity ($ million	23,560	38,700	45,000	52,500
Return on shareholder equity (%)	16.60	11.60	15.0	18.0
Revenues per share ($)	4.93	6.18	8.20	11.55
Earnings per share ($)	1.56	1.75	2.50	3.85
Book value per share ($)	9.44	15.11	18.80	21.45
Capital spending per share ($)	–	.50	.50	.65
Dividend declared per share ($)	–	–	–	–
Common shares outstanding (million) 2495.5	2562.0	2500.0	2450.0	
Relative PE ratio	–	2.23	–	–
Major investments of Alibaba (2011–2017):				
Alibaba.com: $2.4 billion				
Alibaba (investment in Yahoo): $7.1 billion				
Xiaoju Kuaizhi: $3.2 billion				
Alibaba Group Holding: $2.3 billion				
Suning Commerce Group: $4.6 billion				
Youku Tudou Inc.: $5.1 billion				
Lyft: $1.0 billion				
Xiaoju Kuaizhi: $4.5 billion				
Intime Retail Group: $2.6 billion				

Source: Lucas (2017a); Patrikis (2016, 2017); YahooFinance (2010)-2017). Note: Alibaba shares were listed on the New York Stock exchange on September 18, 2014. The company's IPO was priced at $68 and was able to raise $21.8 billion. It was the largest IPO in the US corporate history

[a] As of May 2017

subsidiary to provide software and technology services. In high-tech ventures, firms often take advantage of "employee entrepreneurship" and in-house knowledge skills (Ganco 2013, p. 666). Alibaba also benefited from its committed staff and associates in its early days. Because of growth opportunities and future prospects, Goldman Sachs provided $5 million venture capital funding to the company. Masayoshi Son, founder and CEO of Softbank of Japan, made a much needed investment in Alibaba in 2000. This investment brought Softbank exorbitant profit with massive riches. The company started Gold Supplier Membership to attract SMEs in global markets followed by

Table 2 Product categories listed on Alibaba's portal (as of 2016–2017)

* Agriculture and food
- Agriculture
- Food and beverage
* Apparel, textiles, and accessories
- Apparel
- Textile and leather products
- Fashion accessories
- Timepieces, jewelry, and eyewear
* Auto and transportation
- Automobiles and motorcycles
- Transportation
* Bags, shoes, and accessories
- Luggage, bags, and cases
- Shoes and accessories
* Electronics
- Computer hardware and software
- Home appliances
- Consumer electronics
- Security and protection
* Electrical equipment, components, and telecoms
- Electrical equipment and supplies
- Telecommunication
* Gifts, sports, and toys
- Sports and entertainment
- Gifts and crafts
- Toys and hobbies
* Health and beauty
- Health and medical
- Beauty and personal care
* Home, lights, and construction
- Construction and real estate
- Home and garden
- Lights and lighting
- Furniture
* Machinery, industrial parts, and tools
- Machinery
- Industrial parts and fabrication services
- Tools
- Hardware
- Measurement and analysis instruments
* Metallurgy, chemicals, rubber, and plastics
- Minerals and metallurgy
- Chemicals

Table 2 (continued)

- Rubber and plastics
- Energy
- Environment
* Packaging, advertising, and office
- Packaging and printing
- Office supplies and school supplies
- Service equipment

Source: Alibaba.com (2010–2017).

International Trust Pass membership that aimed at exporters outside of China (Alibaba 2010–2017; Shiying and Avery 2009).

In July 2003, the company invested RMB 100 million in Taobao to target B2C markets in China. Like PayPal, Alibaba created Alipay in October 2003 to deal with growing payment transactions on the Internet (Shen 2012). In the following month, the company started to offer TradeManager instant-messaging software to handle real-time business transactions. Other corporate expansion came in the form of strategic alliances with Sohu and Taobao (Alibaba.com 2010–2017; Shiying and Avery 2009). Dickie (2005, p. 8) in an article published in *Financial Times* called Jack Ma "China's accidental Internet champion." The author further stated: "Mr. Ma seems more excited about the chance to build Alibaba into a Chinese online champion; —Mr. Ma seems very sure about where he is going." Because of growth opportunities and expansion, Yahoo invested $1 billion in Alibaba and took 40% ownership in the company in August 2005 (Alibaba.com 2010–2017).

In 2006, Alibaba and China Agricultural Bank started to collaborate in payment systems in their B2B business. In November 2007, Alibaba took a giant leap forward and raised HKD 13.1 billion in its IPO on the Hong Kong Stock Exchange. This brought the company much needed capital and visibility. A strategic alliance was created with Yahoo Japan through Softbank in May 2010. During the same month, it was announced that a billionaire George Soros had become a major shareholder of Alibaba. In the coming months, Alibaba bought two software companies from the USA to streamline its logistics and distribution networks. The company maintained customer service operations in India and announced making a strategic alliance with Microsoft to launch a new Web-search site called Etao (Alibaba.com 2010–2017; Clark 2016; Shiying and Avery 2009).

In 2010, Alibaba's entrepreneurial model was firmly based on its global expansion which sought a portfolio of diverse companies and product lines. This was particularly important regarding targeting SMEs in China and other markets (see Alibaba 2010–2017; Back 2009; Barboza 2009; Chandler 2007; Chao 2010; Dickie 2005; Einhorn 2008; Hille 2009; Shiying and Avery 2009; Waters et al. 2008; Whah 2007; Yeh 2005). In 2012, Ma took Alibaba Group private because of its internationalization prospects, future growth, and corporate freedom issues. This change was necessary to attract private investors. The company's stock was delisted from the Hong Kong Stock Exchange. In May 2013, Ma stepped down from the CEO position and Jonathan Lu (an Alibaba veteran) was appointed CEO of the company. As expected, in 2014,

Table 3 Selected timeline and developments of Alibaba (1999–2017)

Month/year	Major developments
June 1999	Jack Ma founded Alibaba along with 17 associates in Hangzhou, China.
September 1999	Alibaba China was established as a major subsidiary to provide software and technology services.
October 1999	Goldman Sachs provided $5 million venture capital funding to the company.
January 2000	Masayoshi Son of Softbank invested $20 million in Alibaba.
October 2000	Gold Supplier Membership was launched in international market.
August 2001	International TrustPass membership was launched to target exporters outside China.
December 2001	Alibaba exceeded one million subscribers worldwide.
October 2002	Japanese Website was launched to target the Japanese market.
July 2003	Alibaba invested RMB 100 million in Taobao.
October 2003	Alibaba created Alipay to deal with payment transactions on the Internet.
April 2005	Alibaba created strategic alliances with Sohu.com and Taobao.
August 2005	Yahoo! China invested $1 billion in Alibaba and became 40% owner in the company.
March 2006	Alibaba and China Agricultural Bank started collaborating in payment systems and B2B business.
November 2007	Alibaba raised HKD 13.1 billion in its IPO on the Hong Kong Stock Exchange. The company's market value reached $26 billion.
November 2008	Alibaba started making a major push for global expansion; started to invest $30 million in 20 key global markets for future expansion.
May 2010	Taobao announced a strategic alliance with Yahoo Japan through Softbank.
May 2010	US billionaire George Soros became a major shareholder of Alibaba.
August 2010	Alibaba acquired Auctiva to attract e-commerce entrepreneurs.
August 2010	Aliexpress started collaborating with PayPal in the Chinese market.
September 2010	Alibaba opened customer service operations in India.
October 2010	Alibaba and Microsoft collaborated to launch a new Web-search site called Etao.
January 2011	To achieve supply chain efficiencies, Alibaba plans on building warehouses all over China.
February 2011	Alibaba's CEO and COO resigned because of fraudulent and unethical suppliers.
June–December 2011	Alibaba resolved a dispute with Yahoo and Softbank; Juhuasuan separated from Taobao marketplace.
February 2012	Jack Ma took Alibaba Group private because of future expansion, growth, and corporate freedom. The company's stock was removed from the Hong Kong Stock Exchange.
2013	Alibaba Group reorganized itself into 25 business units to deal with China's fast emerging e-commerce market. Jack Ma stepped down from the CEO job in May;
2014	Tmall.com was started; Alibaba's shares were listed on the NYSE.
2015	Created Alibaba music group; opened London (UK) office; agreed to merge with Youku Tudou; announced buying South China Morning Post.
2016	Softbank and Yahoo announced unloading their stakes in Alibaba. As an active investor, Alibaba invested in various e-commerce platforms. Other investments include Shanghai Media Group, SnapChat, South China Morning Post Group, Internet TV, Didi Kuaidi, and an online retailer.
2017	Alibaba's Taobao, Tmall and other businesses continue to grow and diversify because of online growth and China's push for creating consumer-oriented society.

Source: Alibaba.com (2010-2017); Clark (2016); *The Economist* (various issues); Erisman (2015); *Financial Times* (various issues); Shiying and Avery (2009); *The Wall Street Journal* (various issues).

Alibaba relisted its shares on the New York Stock Exchange with pomp and circumstance and managed to raise over $25 billion (Alibaba 2010–2017; see Fig. 3). These corporate changes perfectly reflect Alibaba's ambitious entrepreneurial plans in China and beyond. In 2017, the company was the largest B2B entity in the world with diverse online sites, businesses, Web portals, and global reach (Lin and Hufford 2017; Lucas 2017a, b; Powell 2017, p. 29; see Fig. 1).

Case-based research and methodology

In academic research and practitioners' circles, case-based research and its investigations have added a meaningful value to the literature. There are useful studies available which discuss the case-based research format, criteria, and theoretical issues (see Eisenhardt 1989; Eisenhardt and Graebner 2007; Pan and Tan 2011; Ravenswood 2011; Siggelkow 2007; Tsang 2013; Woodside 2010; Yin 2003). Mainstream case-based research typologies may include "inductive theory-building, natural experiment, interpretative sensemaking, and contextualized explanation" (Welch et al. 2011, p. 751). There are many credible case-based research works published which bring a unique value to the literature. These include Anwar and Tariq (2011), Danneels (2011), Heracleous and Werres (2016), Humphreys (2010), Laamanen et al. (2016), Siggelkow (2002), Tan et al. (2009, 2015), Vaccaro and Palazzo 2015; Vuori and Huy (2016), and others.

Because of the usefulness of secondary data (Atkinson and Brandolini 2001; Poulis et al. 2013), we used industry-specific surveys and reports such as *Value Line*, *Standard & Poor's Industry Surveys*, newspapers, periodicals, and Web-based information (see *The Wall Street Journal*, *The Economist*, *Financial Times*, *Fortune*, *The New York Times*, *Yahoo Finance*, company-specific Websites, etc.). We specifically used interdisciplinary and multidisciplinary literature because of their scientific applications and analysis. In academic areas, interdisciplinary and multidisciplinary literature is often recommended because of its relevance and scientific application (see Cheng et al. 2009, 2014; Fulmer and Ployhart 2014; Picone et al. 2014; Siedlok and Hibbert 2014; Siedlok et al. 2015).

Changing global B2B/B2C markets and e-commerce

There is no shortage of literature on the topic of B2B/B2C markets and e-commerce. Recent studies conducted in this area are useful, practical, and bring a meaningful value-added (see Ballantyne and Aitken 2007; Boeck et al. 2009; Brown et al. 2011; Cockayne 2016; Grewal et al. 2010; Hernandez et al. 2010; Sarin 2012; Spreng et al. 2009; Wang et al. 2012; Zhao et al. 2008). The Web 1.0 came to the business world in the forms of Netscape, AOL, Microsoft Explorer, Yahoo, eBay, and other Internet-based companies and technology platforms. This was a major entrepreneurial revolution in the USA that gradually spread to other parts of the world (see Anwar 2013; Bichler 2001; Kaplan and Sawhney 2000; Karpinski 2000; Tapscott et al. 2000; Tapscott and Williams 2010; Wise and Morrison 2000). Within the Web 1.0, B2B/B2C markets and online marketplaces were created and nurtured by companies which wanted to reach to their consumers. No wonder B2B/B2C markets became reality and were found in every continent of the world (Yoo et al. 2016). In B2B/B2C markets, online marketplaces and other portals connected businesses and consumers over the Internet and played the role of matchmakers by providing information, procurement needs, and knowledge in the value chains. Customer behavior in e-commerce remained distinct because of "e-purchasing experience" (Hernandez et al. 2010, p. 964), "customer loyalty" (Russo et al. 2016, p. 888), and its unique transactions and benefits.

Figure 2 provides trading processes and organizational systems of B2B online marketplaces that specifically seek collaborations across markets and industries. Although the area grew at a rapid pace, hundreds of dotcom and Internet companies failed in the Internet bubble because of their questionable business models, marginal organizational systems, and meager sales (Lam and Harrison-Walker 2003; Porter 2001; Wise and Morrison 2000). The Web 1.0 was eventually replaced by the Web 2.0 and has been growing multifold. The new system is a part of the Internet sector where firms design creative and entrepreneurial business models and compete and collaborate to operate in the market (see companies such as Alphabet, Facebook, Twitter, Baidu, Amazon.com, etc.). Since early 2000, hundreds of online companies dealing with B2B/B2C marketplaces have been established worldwide. These companies have made billions of dollars of business transactions and other value-added activities. In fact, the main beneficiaries of the e-commerce industry are B2B/B2C markets where majority of their activities take place by selling products and services online based on "efficiency- and legitimacy-oriented factors" (Son and Benbasat 2007, p. 55).

Web exchanges are part of the Internet world which connect SMEs and large companies. At the same time, IoT-related platforms and global markets have made it possible for these companies to sell products worldwide (Steenkamp and de Jong 2010) with unique governance structures and operations (Grewal et al. 2010). Alibaba is also part of these new online firms which bring revolutionary changes in the market.[1] *The Economist* (1995, p. 1) accurately called the Internet "the accidental highway" since it turned out to be one of the major inventions of the twenty-first century. Within these domains and interface of information technology, online marketplaces are well

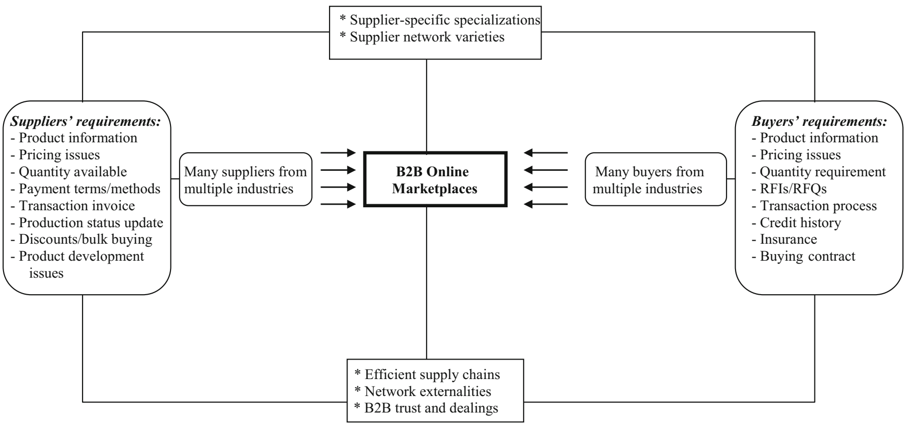

Fig. 2 Mainstream organizational system and trading process in B2B online firms. Source: Bichler (2001); Kaplan and Sawhney (2000); Karpinski (2000); Tapscott et al. (2000); Tapscott and Williams (2010); Wise and Morrison (2000)

entrenched in B2B/B2C markets (Chelariu and Sangtani 2009; Gummesson and Polese 2009; Lilien 2016; Pee 2016; Wu and Li 2009; Naumann et al. 2009). In addition, social commerce networks, social shopping activities, and "value co-creation practices" are on the rise in e-communities (Marcos-Cuevas et al. 2016, p. 97; Stephen and Toubia 2010). This has complemented Alibaba's entrepreneurial growth and business model when dealing with SMEs and other businesses.

Global expansion and growth opportunities

In today's competitive business world, designing companies' core competencies and global strategies are complex and time-consuming activities. Mainstream core competencies include companies' business models, unique expertise, products and processes, and operational platforms and knowledge. The companies' global strategies and core competencies are always on the move because of changing markets, competition, and consumer demand (Yip 2003). The concept of "Internetization as the necessary condition for internationalization" (Etemad et al. 2010, p. 319) is a major pre-requisite when seeking expansion in global markets. Within these perspectives, the following are the major issues and areas that remain critical to Alibaba's entrepreneurial growth and global expansion:

(A). Alibaba is the largest B2B online marketplace that connects SMEs and other businesses at the global level. The company created its technology-based online platform and profitable business models to expand internationally (Clark 2016; Du et al. 2013; Erisman 2015). Within the domains of "organizational and strategic agility" and "first-mover advantage"/"early-mover advantage" (see Cegarra-Navarro et al. 2016, p. 1544; Fourné et al. 2014, p. 13; Lewis et al. 2014, p. 58; Vecchiato 2015, p. 25; Wang et al. 2016, p. 197), Alibaba has become famous for its abilities to remain agile and competitive. The company has over 65 million registered subscribers and provides its Web-based services worldwide (Alibaba.com 2010–2017). Alibaba is a major player in China because of its familiarity with the market. Beyond China, Alibaba and its Internet and mobile technologies are making a huge impact on global business and SMEs (Hille 2009; Kuah and Wang 2016). Since internationalization activities often help companies to strengthen their position in new markets (Nadkarni et al. 2011), same is the case with Alibaba which took maximum opportunity from its first-mover advantage and online platforms.

(B). Since 2009, Alibaba has expanded in the USA, India, Japan, and Western Europe. This move was necessary for growth and expansion after establishing its business model in the home market. Previously, there was no large-scale B2B online platform available in the market which was capable of connecting SMEs over the Internet. In 2017, Alibaba continues to grow in global markets and has made major strides in its entrepreneurial plans and first-mover initiatives.

[1] For major e-exchanges and B2B online marketplaces, see Covisint, Exostar, GHX, Aeroxchange, INTTRA, GS1 US, NeoGrid, etc.

(C). Cross-border alliances have become major operational tools in the areas of market entry and sharing of resources (Xia 2011). Alibaba has been exceptionally good in the area of alliances by seeking minority stakes in other companies. In 2005, Alibaba invested in Yahoo China's operations. At the same time, Yahoo from the USA took a small ownership in Alibaba for $1 billion. In 2016, market value of Yahoo's investment (15%) was estimated to be around $28 billion (Owusu 2016). This is clearly attributed to Alibaba's tangible growth and expansion in China and global markets.

(D). Since 2012, Alibaba has made numerous acquisitions and minority stakes which aim at the company's long-term expansion. These include software companies, digital mapping, Singapore Post, e-commerce platform, robotics firm, mobile gaming and ticket booking and theater management service firms, Jet.com, Shanghai Media Group, SnapChat, South China Morning Post Group, Internet TV, a phone-maker, Didi Kuaidi, and an online retailer. Within today's market conditions and Web-based value-added activities, these acquisitions carry long-term business prospects and growth potential (Crouch 2015).

(E). Through Ant Financial, Alibaba uses Aliexpress to deal with SMEs and its online sales. This has been a successful strategy by the company to interact with small businesses and SMEs. It is particularly helpful in emerging markets and developing countries where SMEs lack Internet-related visibility and exposure to sell their products. Ant Financial continues to increase its entrepreneurial model and market share because of consumer demand and B2B/B2C transactions.

Future trends and new entrepreneurial initiatives

In the coming years, Web-based sales and online markets are expected to grow multifold because of the IoT, consumer demand, and corporate efficiencies. The literature corroborates these trends and forthcoming changes in the e-commerce industry and online e-exchanges (see *The Economist* 2016a, b; Tse 2015; The World Bank 2016). The following trends and industry developments are worth discussing because of consumer demand and growth potential:

(1). Fast Growing B2B/B2C Markets: In 2013, 2.7 billion Internet users were connected to the Web versus 360 million in 2000 (International Telecommunication Union 2013). Interestingly, in 2015, this number swelled to 3.2 billion with 1.1 billion with widely available broadband facilities and high-speed Internet (The World Bank 2016, p. 8). China alone has 700 million Web users and continues to grow because of consumer convergence, globalization, and urbanization (Lee 2016; The World Bank 2016). This is a major development which makes the Chinese market lucrative. When applying the issues of "entrepreneurial orientation and dynamic capabilities" (Jantunen et al. 2005, p. 223), we find Alibaba to be a staunchly competitive firm which knows how to seek growth and spot business opportunities. At the same time, in the last 10 years, many B2B/B2C firms have come to the market with competitive business models and products, creating heightened competition and designing competitive value chains.

Table 4 provides a list of Alibaba's major competitors and other online businesses. Like Alibaba, these fast growing businesses from China and North America in their early years also became involved in entrepreneurial ventures and created successful business models. The list includes well-know global brands such as Amazon.com, Baidu, Ctrip, eBay, Expedia, Priceline, Google, and Netease. Other firms encompass Qihoo 360, Renren, Sohu, Tencent, Yahoo, Youku Tudou, etc. Since "innovation and growth strategies" are necessary for internationalization (Kyläheiko et al. 2011, p. 508), Alibaba is in a better position to capitalize on those markets where the company remains competitive and agile. Of course, Alibaba's competitors also continue to grow because of global opportunities and consumer demand. The next 5 years are expected to be fierce regarding finding new markets and growth areas.

(2). Company-Specific Issues: Since Alibaba grew at a rapid pace, it did encounter problems such as fraud, operational inefficiencies, corporate reputation, etc. (Chen et al. 2015; Ferrante 2015a, b; Schuman 2015; Zhang et al. 2013). No wonder, the newly emerging e-commerce platforms and their "secondary liability" is a cause for concern within the areas of "trade mark infringement" and "counterfeits" (Ferrante 2015b, p. 255; Zuccaro 2016, p. 144). In February 2011, two of Alibaba's officials (CEO and COO) abruptly resigned because of the issues of fraud and questionable accounts. This was a major blow to the company's reputation (Epstein 2011). Within these perspectives, the Chinese e-commerce and Web-based market is expected to be complex because of reputation, credibility, and consumer concerns (Rabkin 2011; Zhu et al. 2014). The changing demographics and online consumption in the market corroborate this argument.

In the next 5 years, Web businesses and online markets are expected to grow multifold. Companies such as Taobao, Wal-Mart, Amazon.com, Sam's Club, Uniqlo, and others have started to expand their operations in China as well. This will be a good opportunity for Alibaba to compete and grow in China and beyond (Birchall 2010). Within these perspectives, a 13-year company veteran Jonathan Lu was promoted to replace Ma in May 2013 (*The Economist* 2013a; Osawa and Mozur 2013). This was a major development that shows Alibaba's entrepreneurial plans and new initiatives because of the company's listing on the New York Stock Exchange.

(3). Growth in the Chinese Market: Because of its population, China has the largest number of Internet users in the world (Walters et al. 2011; The World Bank 2016). As Feuling (2010, p. 12) states: "The China market offers opportunities for companies that can navigate its evolving sales and distribution landscape." Multinational corporations and online companies which have the right plans to expand in China can reap long-term benefits. Alibaba also maintains a massive treasure of consumer data regarding consumer lifestyles and markets (*The Economist* 2011). To seek additional growth and expansion, Alibaba may expand with new entrepreneurial initiatives and products (Crainer 2010; Hille and Davies 2013). This is the result of growing opportunities as well as new infrastructure and delivery services in China. At the same time, competition in the Chinese e-

Table 4 Competitors of Alibaba in China and global markets: market value vs. revenues (2011–2016)

Company name	May 2011		July 2013		June 2016	
	Market value	Revenue	Market value	Revenue	Market value	Revenue
Major competitors:						
Amazon.com (books/online retailer)	$89.87 bill	$36.93 bill	$132.8 bill	$63.98 bill	$337.01 bill	$107.01 bill
Baidu (paid search)	47.40 bill	1.39 bill	32.41 bill	3.83 bill	55.76 bill	10.59 bill
Ctrip.com (travel)	6.43 bill	.442 mill	4.12 bill	.703 mill	18.14 bill	1.66 bill
eBay (online auction)	42.69 bill	11.65 bill	70.72 bill	14.54 bill	27.53 bill	8.67 bill
E-Commerce China Dangdang (B2C)	na	na	523.30 mill	868.23 mill	.501 mill	1.42 bill
Expedia (online travel)	na	3.45 bill	8.52 bill	4.23 bill	15.52 bill	7.20 bill
Priceline (online travel)	na	4.26 bill	44.91 bill	5.53 bill	64.80 bill	9.53 bill
Other competitors:						
Alphabet/Google (search engine/online content)	na	37.90 bill	300.33 bill	53.50 bill	493.58 bill	77.99 bill
Changyou (online games)	na	484.58 mill	1.67 bill	664.25 mill	.978 mill	.682 mill
Netease (portal/online games)	6.09 bill	846.56 mill	8.36 bill	1.34 bill	21.62 bill	4.12 bill
Netflix (Internet subscription for movies)	na	3.20 bill	13.89 bill	3.76 bill	40.38 bill	7.16 bill
Qihoo 360 Technology (software)	3.29 bill	57.67 mill	5.87 bill	369.63 mill	8.87 bill	1.80 bill
Renren (social networking)	5.39 bill	76.54 mill	1.11 bill	190.60 mill	.673 mill	.43 mill
Sina (portal/micro-blogging)	7.39 bill	417.83 mill	3.74 bill	549.08 mill	3.54 bill	.894 mill
Sohu (portal/paid search/online games)	3.23 bill	657.69 mill	2.52 bill	1.15 bill	1.51 bill	1.89 bill
Tencent (online games/instant messaging)	51.58 bill	$3.34 bill	71.60 bill	7.62 bill	209.13 bill	17.14 bill
Yahoo	na	4.98 bill	28.88 bill	4.91 bill	35.45 bill	4.83 bill

Source: *YahooFinance* (2010–2017). Notes: Data retrieved in May 2011, July 2013 and June 2016

na not available

commerce is fierce because of the market size and future growth opportunities (Mozur and Osawa 2013).

Ma through Ant Financial controls Alipay which deals with online cash transactions. This has been a successful business for the company since Alipay deals with millions of transactions. At the same time, eBay's PayPal has expanded in the Chinese market as well. Alibaba will have to create new services and find additional segments to compete with PayPal. Air travel in China is growing at a fast speed. There are many companies that intend to capitalize on this business. Alibaba has started to target this segment because of expansion and growth opportunities. Through its retail site (Taobao), travel agencies and airlines now sell tickets to Chinese travelers (Chao 2010). This is a major achievement for Alibaba and is expected to bring additional revenue to the company (Yeh 2005; Osawa and Dou 2016).

(4). Alliances and New Networks: Alibaba has invested in profitable companies and made alliances and networks in China and beyond (Lucas 2017a, b). The company will continue to seek these activities in established B2B/B2C markets. Alliances and collaborative activities are common in B2B/B2C markets which aim at multifaceted segments and diverse markets. In 2010, Alibaba's retail unit Taobao made an alliance with Yahoo Japan to list its Chinese products. Co-marketing alliances between multiple companies are common in Web marketing and sales (Chennamaneni and Desiraju 2011). To capitalize on this area, Alibaba has made alliances with Microsoft, Baidu, Tencent, CTrip, Sohu.com, Netease, eBay, and others. These alliances have helped the company to grow and expand in China and beyond.

(5). Changing B2B/B2C Models and Internet Retailing: Many retailers implant their retailing models and formats abroad because of growth and opportunities (Swoboda and Elsner 2013). Same is the case with Alibaba which may find it necessary to expand its traditional B2B model beyond the mainstream SMEs. This could be possible because of market expansion and opportunities. Complementary areas include logistics and distribution, supply chain, specialized search engines and social media, cloud services, online banking and money transfer system, online travel, online malls, and specialized online training courses. There is no shortage of online platforms as long as Alibaba remains competitive and efficient in its online business model when dealing with primary and secondary competitors (see Table 4). Since China is expected to grow significantly in e-commerce (Walters et al. 2011; The World Bank 2016), it may be necessary for Alibaba to redefine its online business models and target new markets.

During the 2008 global financial crisis, B2B/B2C markets were severely impacted and companies' growth activities were curtailed and disrupted. Although operational hurdles and capacity investment are major challenges when targeting new markets (Swinney et al. 2011), Alibaba is familiar with consumer demand, changing technologies, and future opportunities. This brings good prospects to the company which is ripe for growth and future expansion. In many firms, "marketing-mix effectiveness" and related strategies remain fluid and can impact firms' expansion and growth (Osinga et al. 2010, p. 173). Same is the case with Alibaba which has witnessed structural shifts and market-specific changes when dealing with the Chinese and other markets (*The Economist* 2011).

(6). Growth in Emerging Markets: Emerging markets are on the rise and will continue to attract MNCs and their investment because of heightened demand (Buchanan et al. 2013; Guo 2013; Kaufmann and Roesch 2012; Kumar et al. 2013). Since Alibaba is new to global markets, it may not have the experience and skills to deal with established and large-scale online MNCs (see Table 4). Alibaba's dealings with the US-based Yahoo revealed these problems (Chao and Efrati 2011). Of course with time and experience, these issues can be tackled and resolved (Hille 2009). At the same time, a selected number of emerging markets and their economic and political environments may carry political risks regarding expropriation of assets and corporate disruptions (Henisz and Zelner 2010; Henisz et al. 2010).

(7). Dealing with the Chinese Government: In an event of future expansion and growth, Alibaba has to deal with the Chinese government which maintains censorship in certain areas of the Internet. The country has been labeled as "a giant cage" which is based on "adaptive authoritarianism" and "the great firewall" which follows the "Internet business with Chinese characteristics" (Epstein 2013, pp. 1–10). As the company starts to grow, this may be a problem for Alibaba when acquiring foreign assets or allowing Western MNCs to invest in the company because of variable interest entity (VIE) structures. China's FDI regime is still in its infancy because of the interference of Chinese ministries and agencies. These may encourage outside investors and long-term business partners to avoid future alliances and joint ventures.

(8). Taking Alibaba Private and Relisting the Company on the *New York Stock Exchange* in 2014: In February 2012, Ma announced a major strategy change for Alibaba and took the company private because of stagnant growth and limited corporate freedom. Delisting the company from the Hong Kong Stock Exchange allowed Alibaba to seek more corporate freedom and choosing private capital. This was a major change in the company's growth and future expansion (*The Economist* 2013a, b). Entrepreneurial companies often seek changes because of "industry structuring", "product differentiation" (Makadok and Ross 2013, p. 509), and "industry life cycle stage" issues. These changes can impact firms' performance, survival, and long-term growth (Karniouchina et al. 2013, p. 1010). In 2014, Alibaba relisted its shares on the New York Stock Exchange with pomp and circumstance and was able to raise $25 billion with a remarkable market value of $225 billion (see Table 1 and Fig. 3). This outcome was a perfect reflection of the company's changing B2B/B2C markets, competition, and industry life cycle. At the same time, analysts have raised legitimate issues about Alibaba and other Chinese MNCs regarding creating VIE structures which aim at avoiding China's restricted FDI sectors while inviting large investors from abroad (see: Burke and Eaton 2016; Gillis and Lowry 2014; Johnson 2014–2015; Lin and Mehaffy 2016; Liu 2016; Shi 2014; Ziegler 2016).

Implications and concluding comments

In international entrepreneurship and its B2B/B2C markets, online marketplaces, Web-based initiatives, and IoT-related platforms are here to stay and will continue to make significant contributions to industries worldwide. This is evident in today's "smart connected products," "smart algorithms" (Luca et al. 2016, p. 98; Porter and Heppelmann 2014, p. 65; Porter and Heppelmann 2015, p. 97), and fast emerging

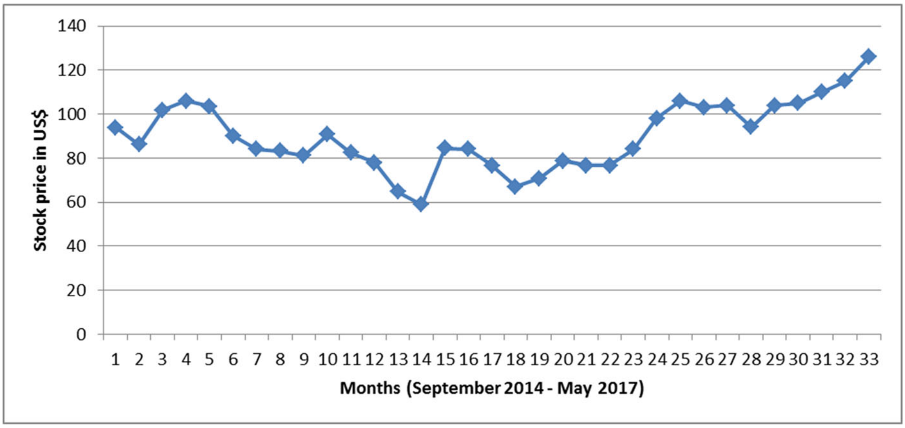

Fig. 3 Monthly stock price of Alibaba since its IPO on the New York Stock Exchange (33 months; September 2014–May 2017). Source: *YahooFinance* (2010-2017)

new industries and technologies worldwide. Like "born globals" (Madsen 2013, p. 65) with heightened entrepreneurial endeavors (Li 2013), Alibaba also sought internationalization with planned strategies and new ventures. Alibaba did not invent the Internet or Web-based online marketplaces but followed its B2B/B2C models and kept on fine-tuning its platforms, segments, and positioning strategies. The company's business model has been labeled as "the Alibaba phenomenon" (*The Economist* 2013a, p. 15) because of China's massive e-commerce market which is called the "world's greatest bazaar" (*The Economist* 2013b, p. 27). Alibaba made various strategic alliances and investments to seek knowledge from its competitors. The company is exceptionally popular in China and the West because of its growth potential and SME-related appeal (*The Economist* 2013a, b; Lin and Hufford 2017; Lucas 2017a, b).

Since companies' longitudinal growth and evolutionary issues are critical in the business world (Anwar and Tariq 2011; Siggelkow 2002), it is important to evaluate Alibaba from the perspectives of its entrepreneurial initiatives and expansion. Liability of foreignness can be a problem for newly formed firms in global markets when competing with established competitors (Kaufmann and Roesch 2012). Same applies to Alibaba when seeking expansion in global markets. At the same time, new technologies and entry mode choices can help companies to overcome these issues. Chinese firms are exceptionally good regarding seeking international expansion and following Western MNCs (Anwar 2013; Teagarden and Dong Hong 2009; Tung 2004; Williamson and Ming 2009).

In 2016, Alibaba's Web portfolios carried diverse online platforms, efficient value chains, and useful networks in global markets (Wu et al. 2016; Wu and Osawa 2016). Interestingly, the company is now called a "self-tuning enterprise" because of its technology-specific advantage, massive expansion, and growth in global business (Reeves et al. 2015, p. 76). After listing its shares on the New York Stock Exchange, Alibaba has started to seek additional investments by expanding in China and emerging markets (Abkowitz 2016; Chao 2010; Hille 2009). Within today's changing "Internetization" (Etemad et al. 2010, p. 319) and business conditions and operational issues, the company's online business model looks viable regarding product offerings and services. At the same time, "Alibaba's magic" (Jung et al. 2015, p. 505) beyond

China may not work because of the onslaught of well-established competitors, emerging business models, and regulatory environment in global markets.

In short, the Alibaba case and its findings and managerial implications are reflective of today's changing B2B/B2C markets and growth in China and beyond. Interestingly, the company is the subject of many studies and investigations which help us understand Web-based entrepreneurial initiatives which transform markets and create new business models. No wonder Alibaba is expected to grow in the coming years because of its worldwide SME networks and changing IoT-related platforms. In the end, most of the credit goes to Ma and his management team because of their first-mover advantage and well-planned entrepreneurial growth and corporate initiatives. This was also made possible because of Alibaba's "multi-sided platforms" (Tan et al. 2015, p. 248), "enterprise agility" (Tan et al. 2009, p. 1), niche markets, and Ma's visionary approach which continues to be echoed in the company's training programs and corporate seminars.

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