

**Assoc. Prof. Katarina Zakić, PhD\***  
*Faculty of Business Studies*  
*“John Naisbitt” University, Belgrade, Serbia*  
**Asst. Prof. Ana Jurčić, PhD\*\***  
*Faculty of Geoeconomics*  
*“John Naisbitt” University, Belgrade, Serbia*

## CHANGES IN CHINESE SYSTEM OF DOING BUSINESS CAUSED BY INFORMATION TECHNOLOGIES\*\*\*

**Abstract:** *Chinese economy is on the new development road that is characterized by changes on both macro and micro level. Globalization of business has affected the traditional way of doing business, and most importantly it has caused changes in using different information technologies.*

*Owners and managers mainly of Chinese private companies quickly realized the role of information technologies in modern business life, so they successfully moved to modernization of their business. Besides, many owners have established new companies that have been dedicated to the online business from the very beginning.*

*This paper will be committed to explain the importance of using modern information technologies in business practice. It will show how they are used in China, and also how these technologies have influenced the changes in doing business in Chinese companies. One part of the paper will present Chinese companies that have successfully used the advantages of modern age in the field of informatics, and special attention will be paid to the presentation of Alibaba Group.*

**Keywords:** CHINA, BUSINESS, CHANGES, INFORMATION TECHNOLOGIES, ALIBABA.

---

\* Contact: kzakic@naisbitt.edu.rs

\*\* Contact: ajurcic@naisbitt.edu.rs

\*\*\* This paper is a part of the project of the Ministry of Education, Science and Technological Development of the Republic of Serbia (ID number 47004): “The enchantment of public policies in Serbia in the function of improving social security of citizens and sustainable economic growth”

## 1. China as World Economy № 2

Ever since China started its “Open Door Policy” in 1978 under the leadership of Deng Xiaoping, Chinese economy has made a tremendous progress and is currently the world economy number 2, immediately after USA, leaving behind UK, Germany, Japan and France.

The reforms started with the idea to change Chinese economy that was lacking efficiency, innovation and technology compared with the rest of the world. Using the experience that Hong Kong had had under the UK Government, that of combining capitalist economy with Chinese entrepreneurship, the leaders of China decided to do the same thing in China. They opened some cities to the foreign investors, and they called those cities special economic zones. In those cities, foreign capital, people and know-how merged with Chinese people. When that model proved to be the right one for China, they opened the whole country to foreign investors. New Chinese liberal (capitalist) economy with the domination of Communist Party on the political level has achieved success that is unbelievable and that is still continuing.

That development has been achieved through five-year plans that make the main strategic interests of the Chinese Government in a specific period of time. At the moment, the 13<sup>th</sup> five-year plan (2015/2020) is being conducted and information technology is one of the main strategic areas in it.

Although China is developing rapidly, its economy is nevertheless facing some difficulties. Main problems are in the area of currency, monetary policy, growth rate and transformation of development model (instead of production, using services for development). This is the reason why China is currently implementing New Normal Policy that is a new paradigm for changes on Chinese domestic market. By using that model, China will change things that are its priority such as monetary policy, more balanced regional development, more eco-friendly and innovative economies, social development, reforms in financial sector and adjustments to new growth rate that is significantly lower than previous ones (approximately around 7% instead of 10%) (Stakic, Zacic, 2015, p. 86).

China is also changing its international economic position and orientation. Starting from 2013, China has been developing a new international project spreading through Asia, Europe and Africa – so called the *One Road One Belt* initiative. In Kazakhstan, Chinese president Xi Jinping first introduced New Silk Road that covers the trade route by land, and only one month later, in Indonesia, he also introduced Maritime Silk Road. The main idea of this international project is to connect China more efficiently with its partners on three continents by building infrastructure such as roads, railroads, maritime ports, airports etc., in order to exchange goods in a more convenient way (Stakic, Zacic, 2015, p. 82). The main motto of this project is that all parties involved should benefit from this kind of project, or everybody should have a win-win situation.

As one of the world's leading economies, China is very well aware of its position and influence on the world economy. But at the same time, China knows the importance of good domestic development and good domestic market. One of its priorities are information technologies and the following part of this paper will explain the historic development of IT sector in China and its influence on the domestic market.

## **2. Historic development of IT in China: modernization as a way of living and thinking**

After the implementation of Open Door Policy in China, things within Chinese economy started to change. At that time, the Chinese Government realized that progress regarding information technologies in the West and SSSR was rapid and that China would face challenges that would jeopardize its development if it didn't catch up in this field. This is the reason why we will look upon development of the IT sector from the historic point of view in order to see how this process started, how it evolved and what the results were.

This part of the paper will rely on the report written by Magnus Breidne, called "Information and Communications Technology in China." That report was made in cooperation with the Swedish Agency for Innovation Systems and VINNOVA and printed in 2005. Also, since that report was printed many years ago, in this chapter the new development of IT sector in China will be presented by using statements and information from the official documents that the Chinese Government issued regarding the five-year plans.

According to Breidne (Breidne, 2005, pp. 13-21), there have been 6 stages in development of IT in China: the first one from 1949-1965, the second from 1966-1976, the third from 1977-1994, the fourth from 1995-2005, and the last one, which is still in progress, from 2006-2020.

1. The first phase was conducted from 1949 until 1965, and those were the days of establishing new regime and new communist model of society. In that period, China had excellent political relationship with the Soviet Union, so it was normal for China to adopt the Soviet science and technology model and Soviet help in that field. Of course, since that historic period is known as the Cold War, the main research area was in the field of military. Although China was not part of that war, it was still very interested to become more powerful in the field of military equipment. Since the USSR was their partner, it was natural to focus their S&T efforts mainly on the field of ballistic missiles and nuclear weapons (Breidne, 2005, p. 13).

2. The second phase lasted from 1966 until 1976. This period was characterized by a political split between China and the Soviet Union and two major ideological processes on the internal level: the *Great Leap Forward* and *Great Proletarian Cultural Revolution*.

The political split from the USSR came around 1960 (it slowly started in 1957 and finalized during the end of 1964), but the consequences were spotted later on, and they

were connected with the *Great Leap Forward*. Mao Zedong, Chinese Chairman<sup>1</sup> at that time, wanted to continue with a development model that was the same one as the former leader of SSSR Stalin had promoted. But Stalin's successor Nikita Khrushchev had different ideas and opinions. He wanted to change the way that the Communist Party was leading the Soviet Union and its development, so during his leadership the relations between China and the USSR started to deteriorate, mainly because of ideological differences.

Nevertheless, Mao continued with the Marxist model of development, but now without financial, material, technological or professional help from the Soviet Union. He publicly declared his persistence with the former model, but at the same time he introduced new ideas that, in his opinion, would lead China to a better future. Mao implemented two new policies - one was called the *Great Leap Forward* and other the *Cultural Revolution*, conducted between 1958-1961 and 1966-1976, respectively. Both policies were affecting the Chinese development model, but the Cultural Revolution proved to be the main reason for destroying the Chinese educational system and scientific work, since it was negatively oriented towards universities and professors. Of course, it also affected IT development greatly. For China, those events are still a problem, because they have slowed down IT development and IT industry tremendously. Because of those policies, China lost many competent scientists – almost a whole generation of people who could have, if the situation was different, changed the Chinese future.

3. The third phase lasted from 1977 until 1994. After Chairman Mao died, there were uncertainties who would succeed him. Even though he was clear that he wanted Hua Guofeng as his successor, the leaders of Communist Party thought differently. Eventually in 1979, Deng Xiaoping became the leader of China,<sup>2</sup> who led the reforms – so called *Open Door Policy*, that completely changed the Chinese development model. Those were market oriented, institutional and legal reforms that aimed to increase the foreign trade, to attract foreign investors and allow import of science and technology from the West. Deng thought that those reforms should be restricted to some extent, so he allowed only five cities along the east coast of China to become special economic zones in order to see if this model (combination of a free market economy, along with foreign capital and the Chinese Communist Party political leadership) would function. When it proved to be a good model, he continued with the reforms. One of his main concerns was IT and Chinese lack of knowledge in this field.

That was the reason why the Chinese Government adopted the *Decision on the reform of the science and technology management system* in 1985 (Breiden, 2005, p. 14). Breiden stated in his report that: "Its main implications were:

---

<sup>1</sup> Chairman of the Central People's Government was the official title that was later, during the 1980s, changed into the title President of the PRC.

<sup>2</sup> Deng Xiaoping never became the Prime minister, or Chairman, or Head of the state, but in reality he was the leading figure in China.

- An important role for science and technology as an engine for growth, putting an emphasis on research with commercial potential
- A decreased role for the government to decide on research priorities
- Competitive calls within the research system (Key basic research program – 973; National high tech R&D research program – 863; National key technologies R&D program; R&D infrastructure, S&T diffusion).”

In that way, the market dictated the scientific and technological fields that were priorities to develop. Along with it, through special economic zones the Chinese Government did everything to attract foreign and domestic investors to bring in and develop high technology as much as they could.

4. The fourth phase began in 1995 and ended in 2005. We can say that in this period China faced many difficulties regarding IT sector, but also because many things started to change in a good way. During that time it was obvious that traditional industry in China needs a change, and not only in an organizational, but also in technical and innovation sense.

This is the reason why Breiden stated that year 1995 was important. During that year: “the research policy was evaluated and a new decision (*Decision on accelerating scientific and technological progress*) was taken. The most important aspects of this document were:

- target set at 1.5 % of GDP into research
- stronger focus on education and international collaboration
- the National Innovation System should be improved.” (Breiden, 2005, p. 16)

Also, after many years of negotiation, China entered the World Trade Organization (WTO) during 2001, which meant that China should change many things and policies in the country, some of them affecting its S&T policies. Obviously, because in the previous period China had protected domestic IT industry, the protection like that was not possible any more. In addition to that, it also enabled foreign investors to have some part of the ownership in telecommunication enterprises in China.<sup>3</sup>

There were major rearrangements within many Ministries, which meant that China would do everything to be more flexible, more competitive and more business oriented than before in the field of IT industry.

With that, there were also the Government measures and initiatives to straighten universities, their scientific work, and especially work of young scientists. There was also the need for attracting foreign talents to come and work in China.

At the end of this period, China paid attention to regulations of patents and technical standards that were a very sensitive problem at the time.

---

<sup>3</sup> Note: at that time, foreigners could only enter (by) companies that were either dealing with basic or with value added services. They could not invest in companies that have basic and value added services.

6. The last phase is still in progress (it started in 2006 and it will last until 2020). It is characterized with introduction and development of 3 cycles of five-year long plans. In them, IT is even more present and emphasized then before.

During the eleventh five-year plan (2006-2010), the main goals for IT industries were: integrated circuits and software, new-generation network, advanced computing, biomedicine, civil airplane sector, satellite application, development of new materials which would be used for information, biological and aerospace industries ([http://www.gov.cn/english/2006-03/06/content\\_219817.htm](http://www.gov.cn/english/2006-03/06/content_219817.htm), 15.01.2017). Because of the world economic crises during 2008-2009, many industries were severely affected with problems, and IT industry faced serious difficulties all over the world. Chinese IT was no exception to that, so the results were not so good as it was expected.

The twelfth five-year plan was conducted from 2011 until 2015, and in it the Government put even more attention to scientific development. In the official documents it was stated that although science and IT development were important part of the 11<sup>th</sup> Plan, this practice needed to continue and improve. Those plans were supported by official remarks: “Key indicators include raising R&D spending from 1.75 per cent to 2.2 per cent of GDP (by contrast, the United States spent 2.7 per cent of GDP on R&D in 2007); increasing the number of patents per 10,000 people; and boosting educational attainment, all under the rubric of “scientific education” (Casey, Koleski, 2011, 5). It was reported by BBC that Chinese Government planned to invest almost 600bn US\$ in information technology, clean energy, environmental protection and scientific research and innovation during that period (<http://www.bbc.com/news/world-asia-pacific-12639898>, 15.01.2017). Also, the Government identified 7 strategic emerging industries as the drivers for China’s future economic development including: clean energy technology; next-generation information technology (IT); biotechnology; high-end equipment manufacturing; alternative energy; new materials; and clean energy vehicles. Thus, the trend for IT industries continued to rise, meaning that China invested even more than before in this sector.

The 13<sup>th</sup> five-year plan is still in progress. It started in 2016 and it will end in 2020. During this period, the Chinese Ministry of Industry and Information Technology (MIIT) is in charge of achieving the first phase of the project known under the name *Made in China 2025*. (<https://www.tekes.fi/globalassets/global/ohjelmat-ja-palvelut/kasvajakansainvalisty/future-watch/chinas-13th-five-year-plan.pdf>, 10.01.2017). The purpose of this project is to enhance, upgrade and digitise industrial production, and also to strengthen their design capabilities and brands in China. In the Economist Group Network analysis that was written in 2016 it is stated: “Made in China 2025 stresses ten high-tech industries for particular encouragement by China’s state agencies: aviation and aerospace; agriculture; electrical power; new energy automotives; high-end robotics; next generation information technology; new materials and composites; rail transportation; maritime engineering; biomedical and advanced medical equipment. The cumulative value of the ‘strategic emerging industries’ is expected to account for 15%

of total GDP by 2020.” (<https://www.tekes.fi/globalassets/global/ohjelmat-ja-palvelut/kasvajakansainvalisty/future-watch/chinas-13th-five-year-plan.pdf>, 09.01.2017).

Having in mind all the facts that have been presented, it can be summarized that China is still developing very rapidly, and that although it has some difficulties, it is working on solving them. IT industry was, from the very first moment of establishing Open Door Policy, an important part of the Chinese development model. Thanks to the efforts of the political, economic and educational leaders of China, science and technology has progressed rapidly. This development also has many shortcomings and problems, but the Government is trying to solve them. One of the main advantages is that in the last decades private companies have also helped to develop IT industries a lot. That has completely changed the situation regarding IT industry in China, because it has become more efficient and more creative.

Due to substantial creativity and development, the Chinese way of doing business and running companies has started to change. People realized that information technologies were helping them to run business more smoothly, to be more efficient and effective, and to be more proactive. The Chinese companies are running their on line business using advantages provided by domestic IT companies.

Even in everyday life on the streets of modern Chinese big cities we can see people that are using modern technologies: when they are ordering cab online and tracking the distance of the car from them, by using online applications on their smartphones; or when they are paying in supermarkets by using their mobile phones (bar codes inside them) instead of credit cards; or by using online translation of the Chinese language to English, etc.

Due to uneven economic development of different regional zones in the country, not all of China is so high-tech developed. This is also one of the things that the Chinese Government is trying to change, so that all parts of China can experience the benefit of IT development.

This is the reason why this paper will further present the most influential IT companies in China. Thereafter, through the case study analysis of the company Alibaba, it will be shown how this type of companies has changed Chinese domestic market, and how they represent the way of doing business.

### **3. The most influential Chinese IT companies – companies that are changing and will change the Chinese future**

In order to present the ways of changing today’s business practice in China, it is probably best to try to present the most influential IT companies in China. Through their work, way of functioning, and their fields of business we can see what is the current situation in this area in China, but most importantly, we can see in which way the Chinese people are using IT in everyday business.

In this paper only 8 companies will be presented, but those are the most influential companies in China, and also very influential outside of China, on every day basis. The list could be, of course, much longer because there are a lot of software companies which are doing excellent work, but they are not so famous and their work is oriented towards smaller groups of people.

1. *Lenovo group* is among those companies that are becoming very prominent IT companies in the world, which became quite famous when it made acquisition of IBM PC business unit in 2005. Lenovo group was founded in 1984 by a group of eminent Chinese scientists. Lenovo group designs, develops, manufactures and sells PSs, computers, tablets, smartphones, workstations, servers, electronic storage devices, IT management software and smart television devices, etc. In its history Lenovo has had many mergers, acquisitions and joint ventures such as with IBM (USA), NEC (Japan), Medion (Germany), CCE (Brazil), Stoneware (USA), Motorola Mobility (USA), Nok Nok Labs (USA), Nutanix (USA). Lenovo was the world's largest personal computer vendor by unit sales in 2016. Lenovo has operations in more than 60 countries and sells its products in around 160 countries (<http://www.lenovo.com/lenovo/us/en/history.html>, 15.01.2017).

2. *Huawei Technologies* was founded in 1987. Today, Huawei has a sales volume of over \$39 billion with business presence in over 170 countries. Huawei is a privately held firm that deals with making phones, tablets and other gadgets for consumers. But it also has a huge business selling the gear that mobile and fixed-line networks are made of. It is the largest telecommunications equipment manufacturer in the world, having overtaken Ericsson in 2012. It is also the largest telephone network equipment maker in China as well. Huawei holds an undefeated first position in soft switches market. Huawei is a partner with almost 80% of the world's top telecommunications companies. Contrary to Lenovo, they prefer joint venture projects and companies rather than acquisition or merger (<http://www.huawei.com/en/about-huawei>, 15.01.2017).

3. *Alibaba group* provides C2C, B2B and B2B sales services via web portals. It also provides electronic payment services, a shopping search engine and data-centric cloud computing services (<http://www.alibabagroup.com/en/about/history>, 15.01.2017). Alibaba is China's biggest online commerce company holding the record for the largest IPO ever in U.S. history at \$25 billion with a market cap of \$231.44 billion, more than Amazon's \$153.08 billion and eBay's \$65.04 billion combined (<http://nextshark.com/13-fascinating-facts-about-the-man-behind-the-largest-ipo-in-history>, 15.01.2017).

4. *Tencent Holdings Limited* was founded in 1998 and it is a Chinese investment holding company whose subsidiaries provide media, entertainment, internet (qq.com) and mobile phone value-added services (We Chat) and operate online advertising services in China. Tencent, Inc. Has grown into China's largest and most used Internet service portal. Presently, Tencent provides social platforms and digital content services under the "Connection" Strategy. Tencent's leading Internet platforms in China – QQ (QQ Instant Messenger), Weixin/WeChat, QQ.com, QQ Games, Qzone, and Tenpay – have brought together China's largest Internet community, to meet the various needs of



Internet users including communication, information, entertainment, financial services and others. As of June 31, 2016, the monthly active user (MAU) accounts of QQ was 899 million while its peak concurrent user accounts reached 247 million. Combined MAU of Weixin and WeChat was 806 million (<http://www.tencent.com/en-us/about-tencent.html>, 15.01.2017).

5. *Baidu Inc.* is a Chinese search engine for websites, audio files and images; includes also online encyclopedia Baidu Baike. Baidu was founded in 2000. In 2016, Baidu's share of share of the China mobile search market was 80.80%, and per month Baidu had 660 million active search users. (<http://ir.baidu.com/phoenix.zhtml?c=188488&p=irol-homeprofile>, 15.01.2017).

6. *JD.com* was founded in 1998 and is one of the largest B2C (business-to-consumer) online retailers in China by transaction volume and revenue, and a major competitor to Alibaba-run Tmall. JD.com was listed on the NASDAQ in May 2014 and was the exchange's biggest floatation of that year. In 2015 it recorded a GMV of \$71.4 billion (RMB 462.7 billion) and net revenues of \$28.0 billion (RMB 181.3 billion), the latter representing an increase of 58% from the year before (<https://www.joybuy.com/help/question-7.html>, 15.01.2017). These days, JD.com is making very interesting strategic alliances. The first one is JD's recent partnership with Tencent, the company behind WeChat. The second alliance is with the most popular search engine in China, Baidu. As a result, due to this partnership on the one hand, and the ongoing war with Alibaba on the other, only JD links are displayed in Baidu search results.

7. *China Mobile Communications* is the biggest wireless phone provider in the world, with more than 800 million customers and a 60% share of its home nation's telecom market. This is a state owned company and was founded in 1999, after China Telecom, that was a parent company, split off China Mobile company (<http://www.chinamobileltd.com/en/about/milestones.php>, 15.01.2017). It also operates outside China in Pakistan. This company is so successful mainly due to good covering of telecommunication signal of rural regions in China. They also offer services targeted at the rural market, including an agricultural information service, which facilitates a variety of activities such as the sale and purchase of agricultural products, access to market prices for products, wire transfers, bank payments etc. (<http://www.chinamobileltd.com/en/about/sd.php>, 15.01.2017).

8. *Xiaomi* was founded in 2010 and is a handset and smartphone manufacturer with a short sales history and lots of potential. It is the world's fourth largest smartphone maker. Xiaomi designs, develops and sells smartphones, mobile apps, laptops and related consumer electronics. In 2014, Xiaomi was the third largest smartphone maker in the world, following Samsung and Apple, and leaving behind Lenovo and LG (<http://www.theverge.com/2014/10/30/7130753/xiaomi-becomes-worlds-third-biggest-smartphone-maker-without-leaving-asia>, 15.01.2017). Xiaomi operates its business and has employees in India, Malaysia, Indonesia, Philippines, South Africa and Brazil (<http://xiaomi-mi.com/company/about/>, 15.01.2017).

Judging by the number of users of telecommunications equipment, electronic devices, number of on line businesses, websites and on line platforms, we can conclude that Chinese people are rapidly changing their everyday life, but also the way of doing their business. More and more domestic Chinese customers want to have all information on line and they want them immediately. This situation urged many small and medium sized companies in China to digitalize and update their business. Also, that helped them to reach international customers, even though that was not always their initial idea. All in all, information technologies are for sure positively changing the traditional way of doing business, and they are helping Chinese companies to become more competitive at the domestic and international level.

#### 4. Case study of Alibaba

Who is Ma Yun, China's second richest man, worth 30.6 billion dollars, according to the Hurun China Rich List 2016 (<http://www.hurun.net/en/HuList.aspx?nid=1037>, 18.1.2017)? His real time net worth as stated by *Forbes* as of January 18, 2017 is \$27.7 billion (<http://www.forbes.com/profile/jack-ma/>, 18.1.2017). He is the founder and Executive Chairman of Alibaba Group and, as Alibaba's employees like to say, a charismatic, flamboyant and dynamic company's spiritual leader.

**Table 1:** Jack Ma and Alibaba Group positioning for 2016

<b>Jack Ma ranking status 2016</b>	<b>Alibaba Group ranking status 2016</b>
#2 Hurun China Rich List	#174 <i>Forbes</i> World's Biggest Public Companies
#8 <i>Forbes</i> Richest in Tech List	# 24 in Market value
#15 <i>Bloomberg</i> World's Richest People List	#28 in Profit
#28 <i>Forbes</i> World's Most Powerful People list	Asia's Fab 50 Companies

Speaking about early beginnings, Mr. Ma Yun said: "My dream was to set up my own e-commerce company. In 1999, I gathered 18 people in my apartment and spoke to them for two hours about my vision. Everyone put their money on the table, and that got us \$60,000 to start Alibaba. I wanted to have a global company, so I chose a global name" ([https://www.brainyquote.com/quotes/authors/j/jack\\_ma.html](https://www.brainyquote.com/quotes/authors/j/jack_ma.html), 18.01.2017). Today, globally recognized and globally successful, he is worldwide known by name Jack Ma.

Jack Ma is #8 on the *Forbes* The Richest People in Tech list, as Alibaba's IPO (initial public offering) in New York in 2014 set a record as the world's biggest public stock offering (<http://www.forbes.com/richest-in-tech/#7c6c9f603b51>, 18.1.2017). This makes Alibaba one of the most valuable Chinese public companies and one of the most valuable tech companies in the world. Alibaba's IPO is not only indicator of Alibaba suc-

cess in the world of tech companies, but, according to experts, it is providing variety of new opportunities for SME's engaged in everything from logistics to online retail (<http://www.inc.com/jeremy-quittner/alibaba-blockbuster-ipo-and-why-it-matters.html>, 17.1.2017).

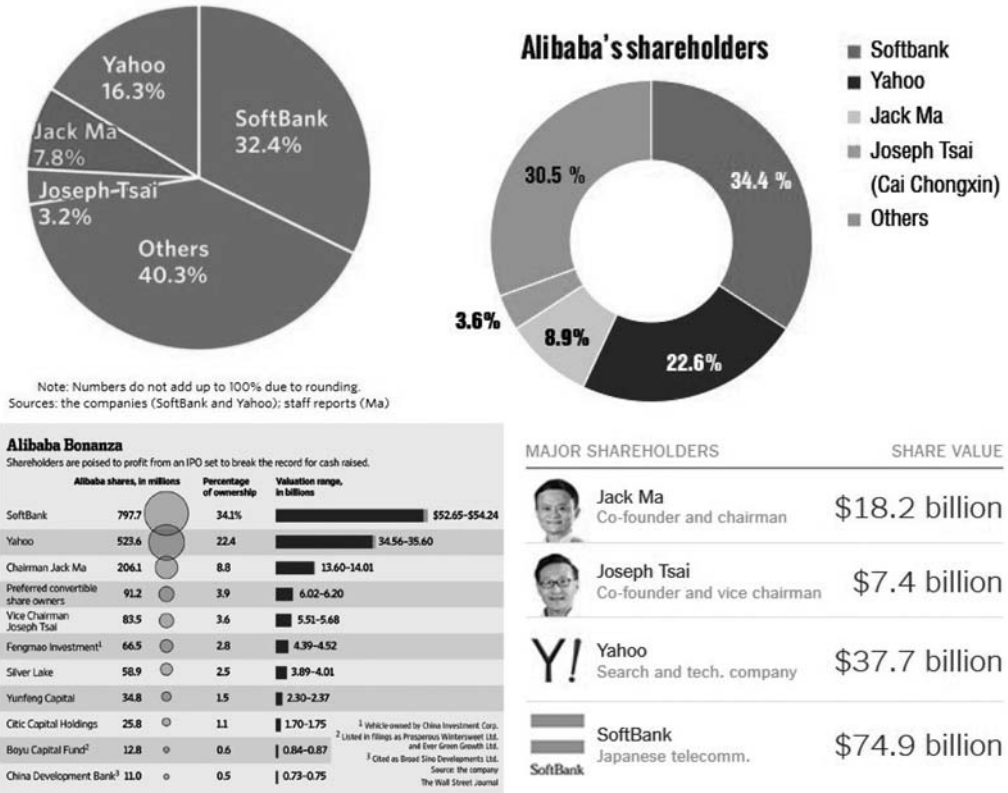


Image 1: Alibaba's Shareholders

Source: <http://defenceforumindia.com/forum/threads/chinese-giant-alibaba-will-go-public-listing-in-us.60530/>; <http://projects.wsj.com/alibaba/#chapter1>; <https://trackwealth.com/blog/alibaba-i-p-o-does-it-really-matter-for-you/>; <https://www.linkedin.com/pulse/alibaba-phenomenon-look-biggest-ipo-all-times-karan-sharma>, 12.1.2017

Today Mr. Ma owns around 8% (Image 1 shows disagreements with the exact percentage depending on source) of Alibaba shares.

He is # 15 on the *Bloomberg* Billionaires Ranking list – (\$34.6B) as the founder of the Alibaba Group, the world's largest collections of e-commerce websites. The Alibaba Group, based in Hangzhou, has more than 400 million active buyers in more than 190 countries. Mr. Ma also owns a stake in online payment service Alipay (<https://www.bloomberg.com/billionaires/profile/jack-ma>, 18.1.2017).

Furthermore, being 28<sup>th</sup> on the *Forbes* World's Most Powerful People list, we can raise a question: How \$463 billion of business transactions were conducted on Alibaba's retail platforms in the fiscal year through March 2016 and, keeping that in mind, what we can conclude about China's economy and business nowadays (<http://www.forbes.com/powerful-people/#720724526dd9>, 18.1.2017)?

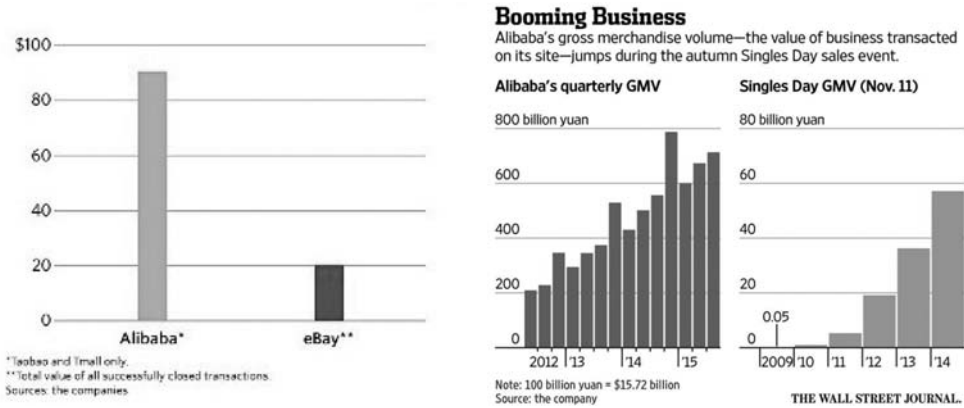
Diverse investors see Alibaba as a synonym for the health of the Chinese economy and the strength of its consumers. Thanks to the fact that Alibaba is continuously investing in the development of e-commerce in China, predictions are that it will continue to grow even as the country's economy slows down ([https://www.nytimes.com/2016/08/12/business/international/alibaba-earnings.html?\\_r=0](https://www.nytimes.com/2016/08/12/business/international/alibaba-earnings.html?_r=0), 18.1.2017). In order to understand how that is possible, we need to have better knowledge about the company itself.

Alibaba Group Holding was founded by Chung Tsai and Jack Ma on 28<sup>th</sup> June, 1999, and is headquartered in Hangzhou, China (<http://www.forbes.com/companies/alibaba/>, 12.1.2017). Alibaba is China's biggest online commerce company and the largest e-commerce company of the world. According to the Alibaba Group website <http://www.alibabagroup.com/en/about/businesses> (12.1.2017), the company's businesses include 10 major platforms: Taobao Marketplace (Taobao.com), Tmall.com, Alibaba.com, Alibaba Cloud (Aliyun.com), Juhuasuan.com, AliExpress, 1688.com, Alimama.com, Cainiao and Ant Financial.

- The site Alibaba.com was the first business of the Alibaba Group. The site started to attract members from all around the world because it allowed exporters to post product listings that buyers could browse. By October 1999, the company raised \$5 million from Goldman Sachs and \$20 million from SoftBank, a Japanese telecom company that also invests in technology companies (<http://www.businessinsider.com/the-story-of-jack-ma-founder-of-alibaba-2014-91>, 17.1.2017). Today, it is a leading English-language wholesale marketplace for global trade with buyers from more than two hundred countries and regions all over the world (<http://www.alibabagroup.com/en/about/businesses>, 12.1.2017).
- In the same year as Alibaba.com, another site was released – 1688.com. This platform connects domestic buyers and sellers and represents the leading online wholesale marketplace. The site was growing rapidly and it had over million registered users at the end of 2001 (Akdeniz, 2014, 11).
- Taobao, China's online shopping destination, was established in 2003 as the nation's largest network market and Trading platform and it operates as a subsidiary of the Alibaba Group Holding. By the first quarter of 2008, Taobao already had almost 62 million members, and created an 18.8 billion Yuan transaction volume (<http://www.dwastell.org/MSc/Group6.pdf>, 12.1.2017). According to iResearch, Taobao Marketplace was China's largest mobile commerce destination by monthly active users in 2015.

- Tmall.com, as stated on their website, is an open business-to-consumer (B2C) platform enabling business world-wide to reach China's vast and growing consumer market. It is the most visited B2C online retail website in China and it is meant to complement Taobao, C2C portal. (<http://about.tmall.com>, 12.1.2017). According to iResearch, Tmall.com was China's largest third-party platform for brands and retailers in terms of monthly active users in 2015. The enormous scale of Taobao and Tmall.com merchandise volume could be seen in Image 2 (on the left).
- Alimama.com is the biggest open marketing platform in China and it was launched in 2007. In essence, Alimama is an online advertise trade platform for both publishers and advertisers (<http://www.china-online-marketing.com/blog/china-ppc/advertising-on-alimama/>, 18.1. 2017). This platform offers sellers online marketing services on the Alibaba Group's marketplaces for both PCs and mobile devices. Alimama enables marketers to extend their marketing and promotional reach to properties and users beyond the Alibaba Group's own marketplaces (<http://www.alibabagroup.com/en/about/businesses>,12.1.2017). General manager Wang Hua believed Alimama could compete with Google in marketing because DMP (Data Management Platform) helped Alimama achieve more than Google in comprehensiveness of data and diversities in marketing systems (<https://www.chinainternetwatch.com/7089/alimama-challenges-google-big-data-marketing/#ixzz4WCe83jw9>, 12.1.2017).
- Established in September 2009, in the year of the company's 10<sup>th</sup> anniversary, Alibaba Cloud (Aliyun.com) was a little bit late entrant to the cloud computing business. In order to fight big competitors as Amazon Web Services, Microsoft and Google Cloud, Aliyun started to serve Chinese companies who need servers in other countries (<https://techcrunch.com/2015/08/18/alibabas-cloud-computing-business-will-open-its-international-headquarters-in-singapore/>, 12.1.2017). Alibaba Cloud develops highly scalable platforms for cloud computing and data management. (<http://www.alibabagroup.com/en/about/businesses>, 12.1.2017).
- In 2010, the company launched the first group shopping website specialized in flash sales (daily deals). Juhuasuan.com was born offering huge sales and discounts on products, as well as group travel packages, but only available for a determined (short) period of sale. We can see numbers for the year 2013 when the revenue of Juhuasuan shopping (product) deals was more than the total revenue (of product deals) of all its competitors combined, and accounted for 88.1% of the product deals revenue (<http://blog.dataotuan.com/en/juhuasuan-dominates-product-daily-deals/>, 12.1.2017).
- Then, in the same year, AliExpress was launched with the aim to target worldwide consumers. This site enabled foreigners to buy directly from

- Chinese manufacturers and allows Chinese companies (or individuals) to sell their products directly to foreign consumers. So this is one of the world's most popular B2C e-commerce platforms with wide variety of product at competitive prices. Interestingly, AliExpress doesn't allow consumers in mainland China to buy from the platform and doesn't allow non-Chinese individuals and companies to open stores (<https://www.chinacheckup.com/blogs/articles/what-is-aliexpress,17.1.2017>). Even more interesting, AliExpress is one of the most favourite of Alibaba's Group sites among Serbs.
- Cainiao Network provides real-time access to data for both merchants and consumers through platform that links a network of logistics providers, warehouses and distribution centers together, in order to enable higher efficiency in China's logistics industry (<https://www.linkedin.com/pulse/what-cainiao-alibaba-groups-logistics-arm-explained-katie-poff,12.1.2017>). Although established in 2013, it was the year 2014 when Cainiao started expanding in China's rural areas so it has facilitated home delivery service in more than **1,200** counties and villages across China, including Ningxia, Guizhou, Jilin, Jiangxi, Fujian, Jiangsu, Zhejiang and Guangdong. By the words of Jim Erickson and Susan Wang, 20 % of parcels delivered to rural areas arrived on the day they were ordered or on the following day. Cainiao is also capable of shipping large home appliances to more than 2,800 districts and counties throughout the country - even in Tibet (<https://www.Aabacosmallbusiness.com/advisor/post/120132884172/cainiao-alibabas-logistics-arm-opens-up-video,18.1.2017>).
  - Last, but not the least, among the officialy stated businesses on the Alibaba Group website is Ant Financial Services Group or Ant Financial originated from Alipay which is the world's leading third-party payment platform founded in 2004. Businesses operated by Ant Financial include Alipay, Yu'e Bao, Zhao Cai Bao, Ant Fortune, Ant Check Later, Ant Financial Cloud, Sesame Credit and Myban. Services which are provided by the Group include payment, wealth management, credit reporting, private bank and cloud computing (<http://www.alibabagroup.com/en/about/businesses,17.1.2017>). Considering their vision to "bring small and beautiful changes to the world," Ant Financial is actually a very good example of the new Chinese development road and modern way of conducting business in China. Basically, they are creating an open ecosystem of Internet thinking and technologies, and make rapid progress through 'Internet+' goals and *Internet Booster Plan* by providing inclusive financial services to small and micro enterprises and individual consumers ([https://www.antgroup.com/index.htm?locale=en\\_US,17.1.2017](https://www.antgroup.com/index.htm?locale=en_US,17.1.2017)).



**Image 2:** Gross Merchandise Volume (in billions), 3Q 2014 (for Taobao and Tmall only) comparing to eBay

**Source:** (<http://projects.wsj.com/alibaba/#chapter1>) / Parallel overview of Alibaba's quarterly and Singles Day GMV (<http://www.wsj.com/articles/alibaba-smashes-singles-day-sales-record-1447234536>, 12.1.2017)

## 5. Conclusions

Globalization of business has affected the traditional way of doing business in China, and most importantly it has caused changes in using different information technologies:

1. Owners and managers of Chinese (mainly) private companies quickly realized the role of IT in modern business life, so they successfully moved to modernization of their business.
2. Besides that, many owners have established new companies that have been conducting online business since they were founded.

There are still many problems within Chinese IT industry, but considering that China is late comer in this field, its IT industry is still developing and its still less developed than US IT industry. Due to strong efforts of the Chinese Government and their strategic orientation towards creating domestic IT industry that can be competitive towards western IT industry, it is believed that they will reach their goal by 2020.

## References:

- [1] Akdeniz, Can (2014), *How Jack Ma Did It: An Analysis of Alibaba's Success*, p. 11.
- [2] Breidne, Magnus (2005), *Information and Communications Technology in China*, Swedish Agency for Innovation Systems and VINNOVA, pp.1-110.
- [3] Joseph, Casey, Katherine, Koleski, (June 24<sup>th</sup>, 2011), "Backgrounder: China's 12<sup>th</sup> Five-Year Plan," U.S. – *China Economic & Security Review Commission*, pp. 1-23
- [4] Nikola Stakic, Katarina Zacic, (January–March 2016), "Challenges of business and financial transformation of China in New Normal Economy," *The Review of International Affairs*, Vol. LXVII, № 1161, pp. 80-100.
- [5] <http://about.tmall.com>.
- [6] <http://blog.dataotuan.com/en/juhuasuan-dominates-product-daily-deals/>.
- [7] <http://defenceforumindia.com/forum/threads/chinese-giant-alibaba-will-go-public-listing-in-us.60530/>.
- [8] <http://ir.baidu.com/phoenix.zhtml?c=188488&p=irol-homeprofile>.
- [9] <http://nextshark.com/13-fascinating-facts-about-the-man-behind-the-largest-ipo-in-history>
- [10] <http://projects.wsj.com/alibaba/#chapter1>.
- [11] <https://techcrunch.com/2015/08/18/alibas-cloud-computing-business-will-open-its-international-headquarters-in-singapore/>.
- [12] <https://trackwealth.com/blog/alibaba-i-p-o-does-it-really-matter-for-you/>.
- [13] <http://xiaomi-mi.com/company/about/>.
- [14] <https://www.aabacosmallbusiness.com/advisor/post/120132884172/cainiao-alibas-logistics-arm-opens-up-video>.
- [15] <http://www.alibabagroup.com/en/about/businesses>.
- [16] <http://www.alibabagroup.com/en/about/history>.
- [17] [https://www.antgroup.com/index.htm?locale=en\\_US](https://www.antgroup.com/index.htm?locale=en_US).
- [18] <http://www.bbc.com/news/world-asia-pacific-12639898>.
- [19] <https://www.bloomberg.com/billionaires/profile/jack-ma>.
- [20] [https://www.brainyquote.com/quotes/authors/j/jack\\_ma.html](https://www.brainyquote.com/quotes/authors/j/jack_ma.html).
- [21] <http://www.businessinsider.com/the-story-of-jack-ma-founder-of-alibaba-2014-91>.
- [22] <https://www.chinacheckup.com/blogs/articles/what-is-alieexpress>.
- [23] <https://www.chinainternetwatch.com/7089/alimama-challenges-google-big-data-marketing/#ixzz4WCe83jw9>.
- [24] <http://www.chinamobiletd.com/en/about/milestones.php>.
- [25] <http://www.china-online-marketing.com/blog/china-ppc/advertising-on-alimama/>.
- [26] <http://www.dwastell.org/MSc/Group6.pdf>.
- [27] <http://www.forbes.com/companies/alibaba/>.
- [28] <http://www.forbes.com/powerful-people/#720724526dd9>.
- [29] <http://www.forbes.com/profile/jack-ma/>.
- [30] <http://www.forbes.com/richest-in-tech/#7c6c9f603b51>.



- [31] [http://www.gov.cn/english/2006-03/06/content\\_219817.htm](http://www.gov.cn/english/2006-03/06/content_219817.htm).
- [32] <http://www.huawei.com/en/about-huawei>.
- [33] <http://www.hurun.net/en/HuList.aspx?nid=1037>.
- [34] <http://www.inc.com/jeremy-quittner/alibaba-blockbuster-ipo-and-why-it-matters.html>.
- [35] <https://www.joybuy.com/help/question-7.html>.
- [36] <https://www.linkedin.com/pulse/alibaba-phenomenon-look-biggest-ipo-all-times-karan-sharma>.
- [37] <https://www.linkedin.com/pulse/what-cainiao-alibaba-groups-logistics-arm-explained-katie-poff>
- [38] [https://www.nytimes.com/2016/08/12/business/international/alibaba-earnings.html?\\_r=0](https://www.nytimes.com/2016/08/12/business/international/alibaba-earnings.html?_r=0).
- [39] <http://www.tencent.com/en-us/abouttencent.htm>.
- [40] <http://www.theverge.com/2014/10/30/7130753/xiaomi-becomes-worlds-third-biggest-smartphone-maker-without-leaving-asia>.
- [41] <https://www.tekes.fi/globalassets/global/ohjelmat-ja-palvelut/kasvajakansainvalisty/future-watch/chinas-13th-five-year-plan.pdf>.
- [42] <https://www.tekes.fi/globalassets/global/ohjelmat-ja-palvelut/kasvajakansainvalisty/future-watch/chinas-13th-five-year-plan.pdf>.
- [43] <http://www.lenovo.com/lenovo/us/en/history.html>.
- [44] <http://www.wsj.com/articles/alibaba-smashes-singles-day-sales-record-1447234536>.