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**Corporate Planning and Innovation in an Economic Reform Context: The Case of Alibaba**


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An outline of this study

- Research questions and methods
- Contextual dimensions for corporate planning
- The rise of Alibaba in the economic reform domain in China
- Incentive to transcend boundaries and tolerance levels
- Conclusion and remarks



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## Research questions and methods - (1)

### ● Research questions

- ◆ While planning and innovation are necessary for the corporations to expand and sustain their powers, **how would they actually plan and innovate, and why do their behaviors vary over time and across different societies?**
- ◆ If “corporation is an instrument for economic planning” (Dugger 1987, 1650), **what are the specific relationships between the growth of corporations in an economic reform context in China (in contrast to those in the USA as explicated by Galbraith, [1967] 2007)?**
- ◆ **What could be revealed from the case of Alibaba** – China’s e-commerce giant.



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## Research questions and methods - (2)

### ● Research methods

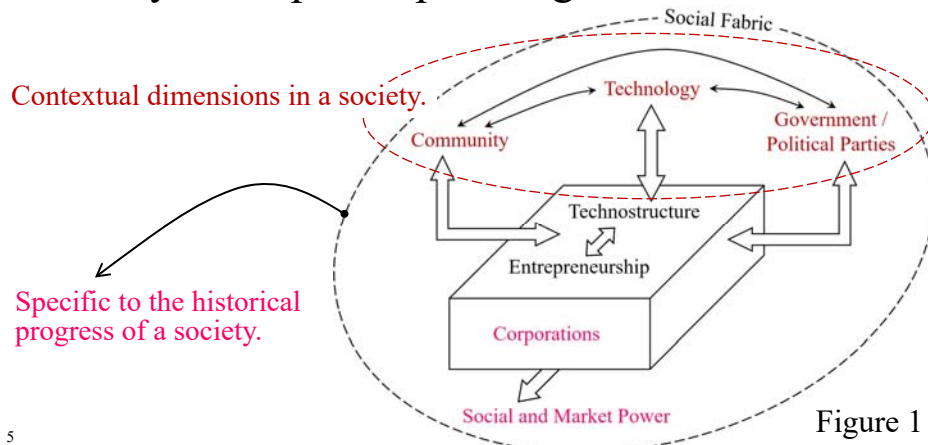
- ◆ From a historical standpoint, explicate the specific institutions, the contextual settings and the process through which corporations plan and innovate.
- ◆ The **historical method** (Hoxie 1906, 570).
  1. Identify “a definite problem” which is “specific, immediate, practical”.
  2. Explain “how did this situation come to be what it is”.
  3. Scrutinize data/evidence which is “specific and selected ... from its past as distinguished from the past of other institutions, or from the facts of general institutional history.”



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## Contextual dimensions for corporate planning - (1)

- A “general” framework constructed for the study of corporate planning and innovation



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## Contextual dimensions for corporate planning - (2)

- Following the historical approach,
  1. The “definite problem”: expansion of corporate power.  
... Corporate planning and innovation are specific to the contextual settings of a society (e.g., the USA v. China).
  2. “(H)ow did this situation come to be what it is”: growth of corporate power in China is indeed part of a bigger picture of the country’s economic plan for reform.  
... The process through which Alibaba gains its corporate power is different from Amazon.
  3. “(S)pecific and selected” evidences scrutinized from China’s economic reform context reveal the real situation of how corporate power grows in this country.



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## The rise of Alibaba in the economic reform domain in China - (1)

- The incorporation of Alibaba in 1999 indeed signified a Chinese government approved vehicle to expedite the economic reform.
  - ◆ Following the government's decision to largely privatize the country's SOEs in 1998
  - ◆ As part of a bigger picture under the public planning to push forward the country's economic reform
    - Lower the unemployment pressure in the group of university graduates
    - Facilitate the internal consumption
    - Raise the living quality (material lives) of the community

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## The rise of Alibaba in the economic reform domain in China - (2)

- Expansion of Alibaba's corporate power exhibits its ability to plan and innovate interactively and effectively in China's economic reform context.
  - ◆ A realistic case to illustrate that the success of a modern corporation requires its ability:
    - to "carry out new combination" (Schumpeter [1983] 2004, 78) and
    - to have the community understand the "latent need for the good" (Shapiro 1986, 29).
  - ◆ An effective technostucture is found to fully utilize the economic reform domain.

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## The rise of Alibaba in the economic reform domain in China <sup>-(3)</sup>

- The domain: Advancement in education, infrastructure, technology and per capita income from economic reform

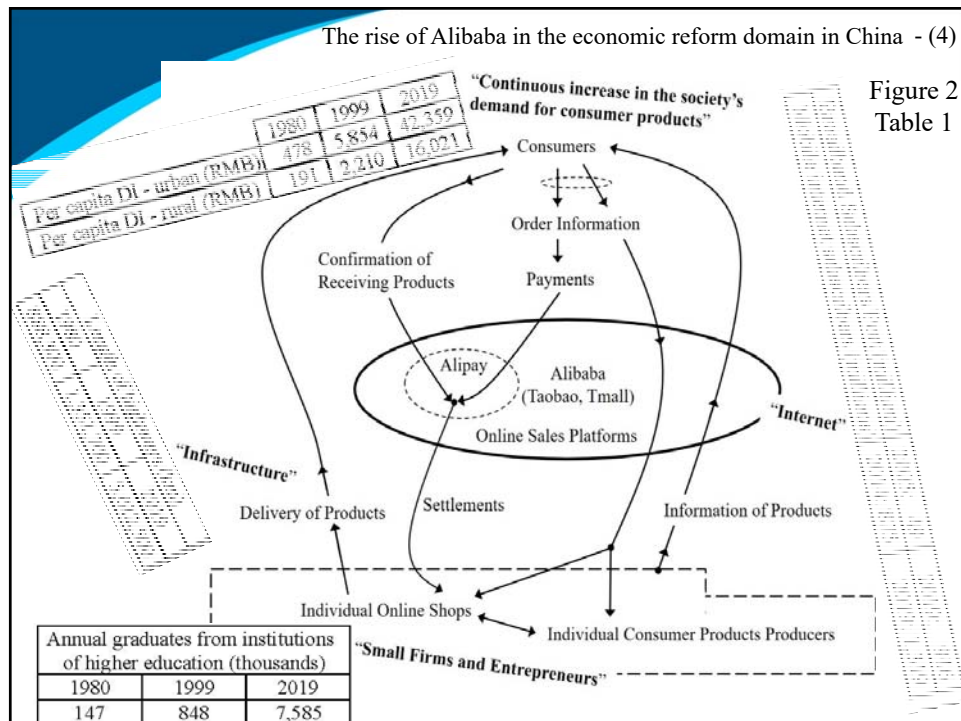
Table 1

	1980	1999	2019
Annual graduates from institutions of higher education (thousands)	147	848	7,585
Length of highways (kilometers)	888,300	1,351,700	5,012,500
Broadband Subscribers Port of Internet (million)			2005: 49 2019: 916
Mobile internet subscribers (millions)			2014: 875 2019: 1,319
Per capita disposable income of urban households (RMB) <sup>†</sup>	478	5,854	42,359
Per capita disposable income of rural households (RMB) <sup>†</sup>	191	2,210	16,021

- The planning and innovation ...

→→→ Figure 2

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## Incentive to transcend boundaries and tolerance levels - (1)

- The tug-of-war between private planning and public planning
  - ◆ Alibaba's success in promoting the Chinese online purchase activities and internet culture raises its power to expand as an e-commerce conglomerate, which also engages in the **shadow banking activities**.
  - ◆ From Alipay to Ant (Financial) Group
    - Interest (with a higher premium than the market rate) is offered on idle balances of individual Alipay accounts.
    - Online microfinancing are provided to SMEs affiliated with Alibaba.

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## Incentive to transcend boundaries and tolerance levels - (2)

- By 2020, “over one billion users and 80 million merchants” were networked to the mobile app of Alipay. (Hong Kong Exchange News 2020, 2)
- ◆ A world-record of USD34.5 billion IPO was arranged by the Ant Group in 2020 despite the government's open questioning about the appropriateness of this expansion.
- Government's active role as an ultimate gatekeeper to line up the private planning with public planning for economic reform
  - ◆ Ant's IPO was suspended after top Alibaba management members were “summoned and interviewed” (Kharpal 2020) by Chinese regulators.

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## Conclusion and remarks - (1)

- Lesson/implications from the growth of Alibaba
  - ◆ To explicate how a corporation may realize its ability to plan and innovate, it is necessary to reveal the process through which it interplays effectively with the specific settings and changing social fabric in a particular society.
  - ◆ Actually, the “growing private planning can be turned to public purpose only through an equal growth in public planning.” (Dugger 1987, 1654)
  - ◆ In an economic reform context, the government may take an active and effective role to manage the practices of corporate planning, and lower the likelihood that the “corporate power will grow into an unchecked menace.” (ibid)

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## Conclusion and remarks - (2)

- By following the historical approach, the study of Alibaba’s corporate planning and innovation in an economic reform context, as well as its interplays with public planning may indeed reinforce an important argument in the method of institutional economics that, “if institutionalism had a general theory, it would be a general theory indicating how to develop specific and varied analysis of specific phenomena.” (Hodgson 1988, 169)

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# Thank You!

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