TRANSCRIPT

From Marketplace to Ecosystem: Systems-Thinking for Innovation

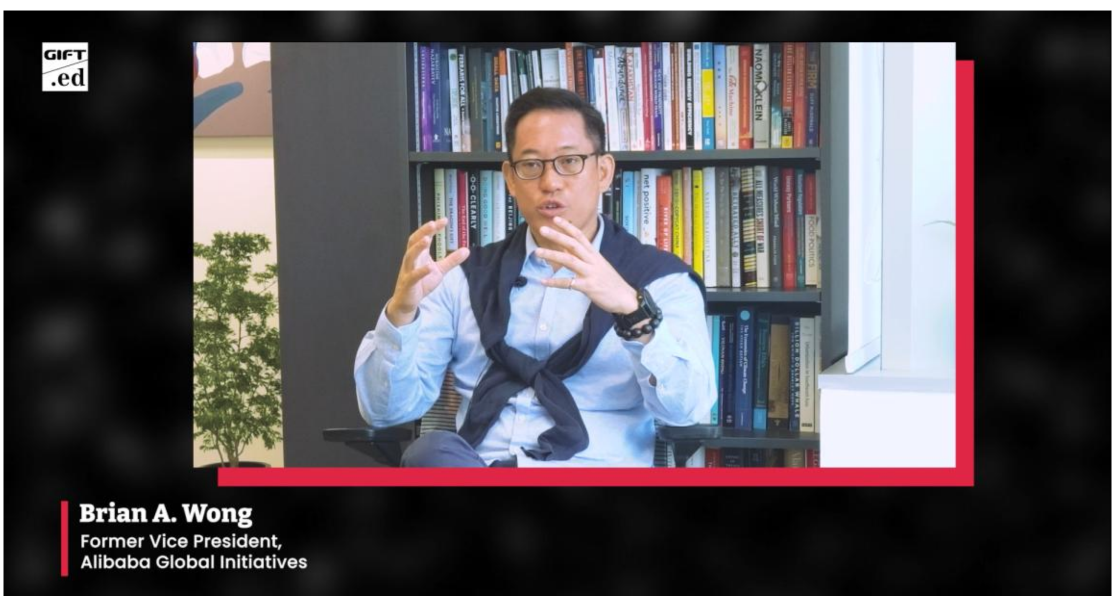
Host:

All organisations operate within systems. From a macroscopic vantage, it's easy to see the individual components of systems, their roles, and their interdependencies. Yet, more often than not, we overlook the intricate connections and dependencies in the systems we interface with daily.

This oversight can be particularly detrimental in the private sector, whose externalities have historically caused significant societal and environmental impacts. Now, let's explore how one of the world's largest e-commerce giants, Alibaba, leveraged systems thinking to transform itself from a simple marketplace into a comprehensive ecosystem, with one of its top former executives, Brian Wong.

Brian, who served as Special Assistant to the Chairman of Alibaba Group, Jack Ma, is also the author of the bestselling book "The Tao of Alibaba".

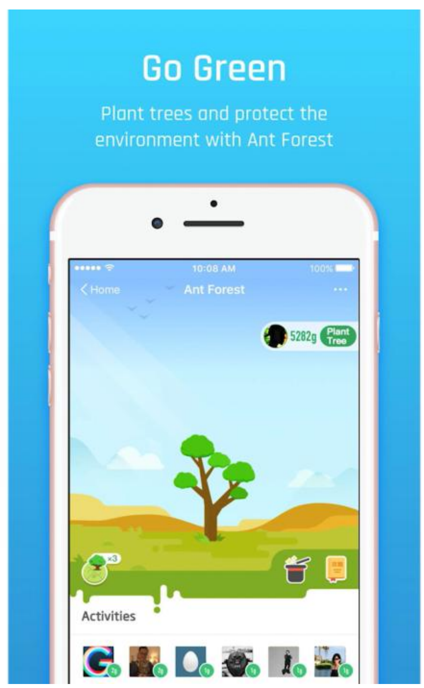
Brian A. Wong:



It was interesting because there was a shift from just when the company started, it was just a marketplace, and then they thought of themselves as a platform, and then they thought of themselves as an ecosystem. And I think what Jack, at the time, he wanted us to think about our business and the ecology that we were trying to create vis-à-vis things like marketplace, payment, logistics, but also kind of the larger picture of how business leaders and managers think about the role of their company in larger society.

And I remember one time I asked him, why are we venturing into things like media and film? And he said, “well, Brian, if you want to think about this in the big picture, commerce has filled people's pockets with lots of money, but their hearts are empty. And the problem is they don't have a value system that thinks about sustainability and long-term growth of a company and doing the right thing.”

He said, “therefore, we need to figure out how to create positive messages through media to help people think about their value sets.” And I was like, well, that's interesting. That's going far beyond just buying and selling stuff. And when he pushed for this environmental sort of initiatives within the organisation, Alipay, for example, has this app called Ant Forest. It was basically helping people measure their carbon footprint. And then any carbon savings that they generate through walking or riding a bicycle, they can apply those credits to actually plant trees.



And I said, why are we spending the time on this? And he said, well, because without a clean environment, without clean water, you cannot have a society that is healthy, and you will not have resources to continue to power your businesses. So he was thinking that far ahead.

Big Problems have Big Solutions

I think if we talk more about the macro trends that were happening, I think Jack and the company saw how China's role was changing kind of in a larger global market environment. This idea that there was a need for small businesses to reach the global sort of marketplaces, but they didn't have a cost effective way of doing it.

Jack recognised that technology could play that role in creating a low-cost bridge and democratisation of commerce using that technology. Most people would have thought that these challenges were too big to handle. But I think Jack and the team felt like, well, if we don't do it, who's going to do it? And if now isn't the time, then when are we going to do this?

And I think timing wise was fortunate and opportune because of the rise of the Internet and technology becoming something that was a factor.

The reality is Alibaba as a group is the collection of opportunities that we discovered along the way of building the prior business.

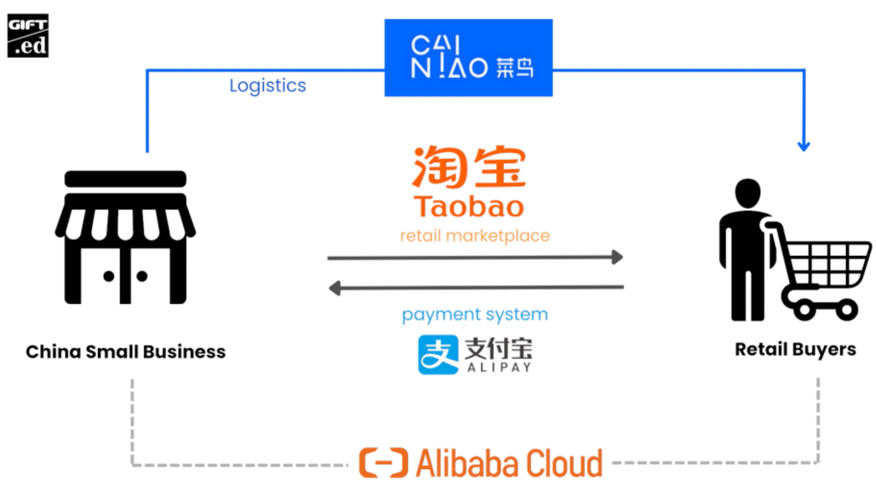
Alibaba’s Evolution: Marketplace to Ecosystem

So if we look at, the first company was Alibaba.com, it was international trade for small businesses. So that was linking one part of the supply chain is like, you know, China and the world on a wholesale level.

But then you realise, once you solve the wholesale issue, then how do you sell retail? So that was another piece of the value chain we built through Taobao.

But once you set up Taobao as a retail marketplace, you realise there was no adequate payment system that existed because the banks were very rudimentary, there was no online payment. And so there was a low sense of trust in this retail marketplace. So we had to create Alipay.

And then once you had Alipay and you had product information, you realised, well, then the barrier was a physical movement of products. So then we created Cainiao. And then once you had all this data that was being collected, you realise, well, if we end up collecting this data, it's going to be actually more expensive to manage this data using the existing basic infrastructure, buying our own servers, licensing all these database software. So we ended up creating a cloud computing business and our own operating system for the cloud computing business so that we could survive. It was more out of survival.



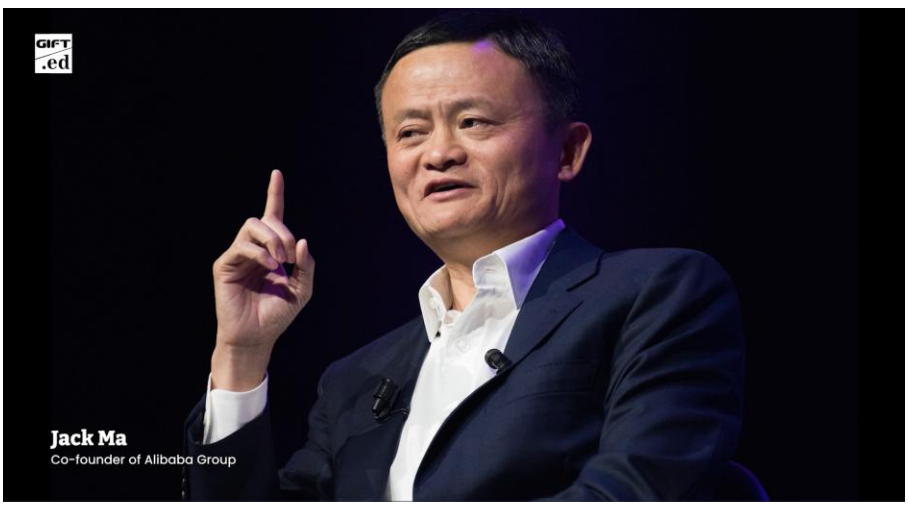
And so all of those things were derivatives of one another. And I think within a company, if you want to create that intrapreneurship, you have to enable the employees to, one, have enough time to identify those problems, but then empower them to pursue solutions to those problems. And so all these businesses were spin-outs of the existing business.

And we gave these teams that we identified enough space and support to have these skunk work projects. They would all go back to the old apartment of Jack's home, where Alibaba.com was founded, and they would always incubate these projects within that location because we thought it had good Feng Shui, they said, right? So many of them succeeded, but some of them failed.

When they succeed, you obviously celebrate that, but when they fail, you also have to say, okay, what did we learn from this? And Jack as a teacher cultivated that sort of environment.

Host:

As Brian shared, even in its early days, Alibaba's visionary leader, Jack Ma, emphasised the importance of seeing 'the bigger picture.'



This focus on systems thinking was the cornerstone of Alibaba's ability to identify and address unmet needs in the market. Whether it was enabling businesses to reach global markets through Alibaba.com, creating the financial infrastructure for secure payments through Alipay, or building robust infrastructure for data management through Alibaba Cloud, each innovation stemmed from recognising the gaps within its ecosystem and leveraging technology to fill them.

By fostering a culture that encourages problem-solving and intrapreneurship, Alibaba empowered its employees to pursue creative solutions and drive the company's evolution from a simple marketplace to a comprehensive ecosystem.