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Jack Ma Engineered Alibaba's Breakup From Overseas

Globetrotting billionaire, in calls to executives, used his influence to push company's plans to split into six groups



Jack Ma, Alibaba Group's former executive chairman, has remained active in deciding strategy at the company.

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HONG KONG—Chinese billionaire Jack Ma orchestrated from overseas the corporate breakup of the e-commerce empire he built, Alibaba Group Holding Ltd. **BABA 3.46%** ▲ , according to people familiar with the matter.

Despite having stepped down as executive chairman of Alibaba in 2019, Mr. Ma remained an influential figure at the company and is active in deciding its strategy, the people said. In recent months, he held calls with Alibaba's top executives, including the current chairman and chief executive Daniel Zhang, urging them to split up the company, saying it would make it more nimble and competitive in China's increasingly crowded market, the people said.

Mr. Ma on Monday made a surprise visit to a school in Alibaba's hometown of Hangzhou, his first known trip back to mainland China in almost a year. He appeared a day before the company announced it would split into six separate entities, each with its own CEO and board and free to pursue separate future IPOs.

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The peripatetic Mr. Ma, who late last week traveled to Hong Kong where he has a luxury home, was initially planning to head to Japan early this week, according to people familiar with the matter. It remains unclear what prompted the sudden change in his itinerary, and the tycoon's trip home has sparked speculation as to whether he had struck any deal with China's government.

The country's most famous tech billionaire had largely retreated from the public eye since the business empire he built came under Beijing's scrutiny more than two years ago. As he visited fish farms and agricultural sites around the world, back home Alibaba was punished with a \$2.8 billion antitrust penalty in April 2021. Its affiliated fintech giant, Ant Group Co., had its blockbuster IPO called off by Chinese regulators at the 11th hour in late 2020 along with demands to overhaul its business.

The tycoon's return in recent days followed repeated outreaches over recent months from Beijing, through retired Communist Party officials and fellow tycoons, people familiar with the matter said. The message they brought sought to appeal to Mr. Ma's patriotism: It's time to come back and contribute to China's development, the people said.

Those entreaties began after the conclusion of the 20th Party Congress in November that saw Chinese leader Xi Jinping tighten his grip on power, the people said. After China's legislative gathering in early March, new premier Li Qiang devoted much of his first news conference to reassuring entrepreneurs of Beijing's support for the private sector.

Mr. Ma is no longer involved in Alibaba's management and operation, the Jack Ma Foundation said in a statement. He has been traveling often in China and overseas, focusing on developing agriculture by new technology, the foundation added.

Alibaba's reorganization was led by Mr. Zhang, an Alibaba spokesperson said.

His role as CEO of both Alibaba Group and the newly established cloud-computing company “demonstrates the confidence and trust in his leadership to drive Alibaba’s future,” the spokesperson said.

Mr. Ma retained some official influence as a committee member of Alibaba Partnership, a strategy-making body of senior executives drawn from the e-commerce giant. The partnership, formally established in 2010, conventionally has the exclusive right to nominate candidates for board seats of the group.

Although Mr. Ma has been absent from the spotlight, his every move has made headlines, and he still casts a long shadow over China’s business environment. His fortunes are viewed at home and abroad as a barometer of Beijing’s attitude toward private enterprises.

“Beijing seems eager to show that prominent entrepreneurs like Jack Ma, once hailed as visionaries and then vilified by the government, are now welcome back in China,” said Eswar Prasad, a professor at Cornell University and a former China head at the International Monetary Fund.

Mr. Ma’s celebrity tycoon status in China, coupled with the outsize influence of tech giants including Alibaba, was out of step with China’s leaders. Regulators later carried out a wide-ranging two-year regulatory crackdown on tech firms that has only recently shown signs of easing up.

While it is unclear what prompted Mr. Ma to come back to China, investors and analysts say he likely struck a deal with Beijing.

“He’s a very good deal maker,” said Jing Qian, co-founder and managing director of the Asia Society Policy Institute’s Center for China Analysis, noting that Mr. Ma could help Beijing’s wider ambitions in the battle for tech supremacy. “One thing we forgot about is that Jack is the one known for his ability to mobilize resources to innovate and to beat foreign competitors,” he added.

Alibaba executives said the restructuring is designed to give the company more flexibility and more access to capital. It also aligns with China’s desire to break down monopolies to allow market competition.

The breakup marks a reversal of the “Alibaba Economy” ethos conceived by Mr. Ma in 2017, when he was serving as Alibaba’s chairman and aligned the company with its affiliates including fintech giant Ant Group.

As Beijing’s attitude toward big platform companies soured, the notion of centralization became increasingly untenable. So too did fierce competition from

rivals, from online shopping sites to live-streaming and food delivery.

In 2021, CEO Mr. Zhang started to devolve more power to the heads of business units, paving the way for spinoffs, The Wall Street Journal reported at the time. That decision was made in consultation with Mr. Ma, people familiar with the matter said.

To formally split Alibaba into pieces was a thornier task. One of the challenges would be how to place various company veterans and executives, the people said. Many group-level executives would either have to retire or take positions at the subsidiaries.

It was the efforts of Mr. Ma—who still commands respect and loyalty from senior staff—that moved the needle in the decision to split the company, the people said.

Those whom Mr. Ma called included Jane Fang Jiang, Alibaba's deputy chief people officer and a company stalwart, according to one of the people. Alibaba didn't comment when asked about the call.

Mr. Zhang said Thursday that Alibaba made the announcement this week ahead of its new fiscal year beginning April 1.

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