

URL: <https://stvp.stanford.edu/clips/choose-both-paths>

When scaling a technology startup, your biggest pitfall could be a lost opportunity, observes Joe Tsai, co-founder and executive vice chairman of Alibaba Group. At one point, he shares, Alibaba was embroiled in an intense debate about whether to use an open-source cloud computing solution or develop their own proprietary system. Jack Ma's solution: do both. If you have sufficient capital, Tsai points out, there are times when it's important for a company to hedge its bets on competing strategies.



Transcript

This is sort of the story of how, as you probably know we have a very big cloud computing business.. We were the largest cloud computing business in China.. Very much like AWS here in the United States.. We have about 45% market share in cloud computing and the origin of that business about over 10 years ago, it was in 2009, was that we had a big debate among the engineers.. On the one side was our CTO.. On the other side were a very large group of fervent engineers.. In fact our CTO didn't have his own troops support in that particular debate.. And debate was about whether we should develop proprietary technology to scale our business from a data standpoint so our CTO was advocating proprietary and then there's a group of open source engineers that wanted to use Hadoop and develop on top of Hadoop.. It was the early days of distributed computing and eventually the person that settled the debate knew nothing about technology.. It's Jack..

I still remember the meeting.. We were sitting there for three hours debating and I couldn't understand what was going on 'cause I just have a legal training.. I didn't learn how to code or anything so I was listening to this and then finally Jack kind of closed his eyes, he said, "Let's stop.. "I've got the answer." And he was sort of sitting at the other end of the table and people kind of looked at him and said, "Jack, we're having this religious "debate on technology path, "and for you who doesn't understand "any technology to come in "and make a decision for everyone." People were kind of looking kind of with a lot of skepticism so he said, "Well, the decision is, we're gonna do both.. "We are going to commit ourselves, "commit resources to develop our proprietary "technology.. "I don't know if it'll work, but we're also "gonna keep our open source effort in case "we fail.. "We do both.. "There's no reason to actually split or pick "a path right now at this juncture of the fork." So when you look back, it's a very smart business decision.. I mean, fortunately we had enough capital so we could afford a dual path development but the lesson learned here is that when you're in the internet business, when things can scale up very fast, you're biggest mistake could be opportunity costs.. You choose not to do something and you lose the opportunity to pursue a very different path..

So when you look at the history of Alibaba there is a lot of instances where we would do almost two opposing things and it didn't make any logical sense but it's because we were hedging our bets.. And (distorted audio) sufficiently capitalized to make those hedges and then once something develops to a point where we feel that that's the winner, that the winning horse we can back, we put all of our resources into it and that's what happened to our proprietary distributive (distorted audio) system.. It was a system that's basically in my layman's understanding of it, it's an operating system that can make 10,000 computers think and work like one single computer.. Doesn't matter where these computers are located.. They could be located in 10 different locations and they work as one powerful computer.. And that's the operating system we've developed.. It's called Hadoop and that system today forms the core basis of our cloud computing business..