Alibaba, the Chinese e-commerce giant, is generating an enormous amount of interest with its upcoming initial public offering—which is shaping up as the largest IPO ever.

The offering is expected to raise as much as $24 billion as growth-hungry investors bet that the already-huge Chinese company is poised for fast growth. It's easy to get caught up in the excitement, but anyone considering buying Alibaba shares should step back and look carefully at the risks—as well as the potential rewards—of jumping on the bandwagon.

There's no doubt Alibaba is a very successful company: It is, by some measures, the world's biggest online commerce firm, handling more business than any other e-commerce company. Its three main sites, Taobao, Tmall and Alibaba.com, boast hundreds of millions of users, and they host millions of merchants and businesses. Alibaba already has a dominant presence in China and India, and now has its sights set on the United States and Europe.

But there's also reason to be concerned about the company's ability to grow and conquer new markets. One big question is whether Chinese regulators will allow Alibaba free rein to compete with rivals in the mobile communications businesses and elsewhere. China may no longer have a communist economy, but its markets aren't nearly as free as those in the United States.

Another concern is that Alibaba's sites are, by all accounts, full of counterfeit goods. That could harm its reputation and its business going forward, especially as it tries to compete against U.S. rivals like EBay and Amazon. Another question in my mind is whether Western consumers will embrace Alibaba's sales model. I recently searched its site for patio furniture and found a great deal—provided that you're willing to buy at least 10 sets of the furniture.

Finally, potential investors should consider the timing of Alibaba's IPO. We are five years into a bull market, and markets are at all-time highs. The company will probably be able to offer shares at high multiples and find plenty of takers because it is cutting edge and sexy.

But over the course of my career, I have seen too many companies go public when they feel they can get a top-end valuation—or even when they feel they are overvalued. That is the job of the IPO stock underwriter: to get the highest price and the most money for the company. That

may or may not be the case with Alibaba, but remember that shares' prices can plunge in the weeks and months after their IPO as the investors start to analyze the growth projections and financials.

Facebook's shares fell by 50% within weeks of the company's May 2012 IPO. And while it recently traded at nearly double its IPO price, it took a very strong stomach not to panic and sell the stock as it plunged.

It is worth noting that Yahoo, which owns 22.4% of Alibaba, is planning to sell 27% of its stake in the IPO. If Yahoo believes Alibaba shares have strong growth ahead, why would it choose to sell any of it now?

It may very well be that buying into Alibaba's IPO will look like a great idea a few years from now. Maybe the company will eat Amazon and EBay's lunch. But in my opinion one strong prerequisite for buying Alibaba shares is the ability to handle any volatility that may lie ahead for the stock.

Aside from that, the decision about whether to buy into any IPO depends on the investor's assessment of the company and their ability to tolerate price volatility. Either way, it's a decision that needs to be made with open eyes.