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Using the Internet to Create Positive Social Changes: Case Studies in China

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ABSTRACT

In recent years, companies have been increasingly under pressure to deliver programs that can create both business value and social value. Building on the positive social change framework developed by Stephan et al., this paper uses two case studies (Gongyi Baobei and Jutudi) of the Alibaba Group, a leading Internet company in China, to investigate how companies can use the Internet to bring about positive social changes (PSC) to target groups. Our focus is placed on the nature of projects, i.e., surface-level and deep-level PSC projects. Our decision to use different case studies from the same company is based on the assumption that the enabling effects of internal organizational practices should be similar. To be more specific, we want to study the link between PSC projects and the company's existing businesses, the role of the Internet in raising customers' awareness and participation in the programs, and the change mechanism designed and implemented to bring positive social changes to customers. Data were collected through interviews and literature review. Our research provides empirical evidence to show a deep-level PSC project (i.e., Jutudi) can be very different from a surface-level PSC project (i.e., Gongyi Baobei) in terms of the reliance on existing business operations and the design of change mechanisms. Our research limitations and direction for future research will also be discussed.

Keywords: corporate social responsibility, positive social change, Internet, change management, Alibaba Group, case study, shared value.

INTRODUCTION

Climate change has raised the public's awareness of environmental issues and technological advancement enables them to distribute and access information very fast, making corporate social responsibility activities under greater scrutiny. Many companies have treated corporate social responsibility as something that they consider obliged to do. However, traditional corporate social responsibility activities have failed to meet the expectations of the government and the public, and companies have failed to develop stronger relationships with the external world [1]. The key question posed by companies is how to create both social and business value. Companies are required not only to improve their profitability but also to shoulder the responsibility for making a positive impact on the wider society and environment.

Companies are increasingly expected to play a role in solving social challenges, such as public health, education, and environmental pollution, as well as in improving social well-being. There is a growing literature on trying to address how companies can create both social value and business value. They have come up with different terms, such as base of pyramid [2], shared value [3], inclusive growth [4], and positive social change [5].

In this paper, we use the positive social change framework developed by Stephan et al. [5] They define positive social change as "the process of transforming patterns of thought, behavior, social relationships, institutions, and social structure to generate beneficial outcomes for individuals, communities, organizations, society and/or the environment beyond the benefits for the instigators of such transformations." [5] Their framework is a useful tool to understand how and why companies may stimulate positive social change in terms of change mechanisms and organizational practices.

Our research sets out to understand how companies can help to stimulate positive social change by influencing consumers, especially their target groups. We choose to use case studies from the Alibaba Group because we want to focus on change mechanisms while assuming that organizational practices influence both projects in similar ways. Gongyi Baobei is chosen as a surface-level PSC case study and Jutudi as a deep-level PSC case study. To be more specific, our research wants to find out the link between surface-level / deep-level PSC projects and the company's existing businesses, the role of the Internet in raising customers' awareness and participation in the programs, and the change mechanism designed and implemented to bring positive social changes to customers.

In the next section of the paper, we will explain our research methodology. Then, we will discuss the positive social change framework. This is followed by giving a background of Alibaba Group and case studies of Gongyi Baobei and Jutudi. The final section will analyze the case studies and summarize the research findings, possible limitations of the research, and suggestions for future studies.

RESEARCH METHODOLOGY

We first set out to investigate whether companies could create both social and business value in CSR activities. As the research progressed, we narrowed our research to focus on understanding how a company can design a project to stimulate positive social change by influencing consumers, especially the specific target groups.

Our study is explorative in nature, because the research on social positive change is limited and still emerging. We decided to use multiple case studies from the same company, which allows us to focus on studying each project's change mechanism and compare deep- and surface-level PSC projects. We considered the Alibaba Group suitable for our research. Alibaba is the largest online business platform provider and recently overtook Walmart to become the largest retailer in the world [6]. Alibaba is committed to stimulating positive social changes to wider society by engaging in a number of PSC projects, which allowed us to choose from a reasonably-sized pool of case studies. Moreover, little has been written about how Internet companies, especially emerging business platform companies like the Alibaba Group can use the Internet to create both social and business value. Therefore, we chose Alibaba Group as our research target.

RESEARCH FRAMEWORK

Based on their multi-disciplinary literature review, Stephan et al. [5] has categorized companies' strategies into deep-level and surface-level PSC strategies. They are different in terms of the nature, the speed of transformation and the resulting social impact's quality, reach and timing [Figure 1].

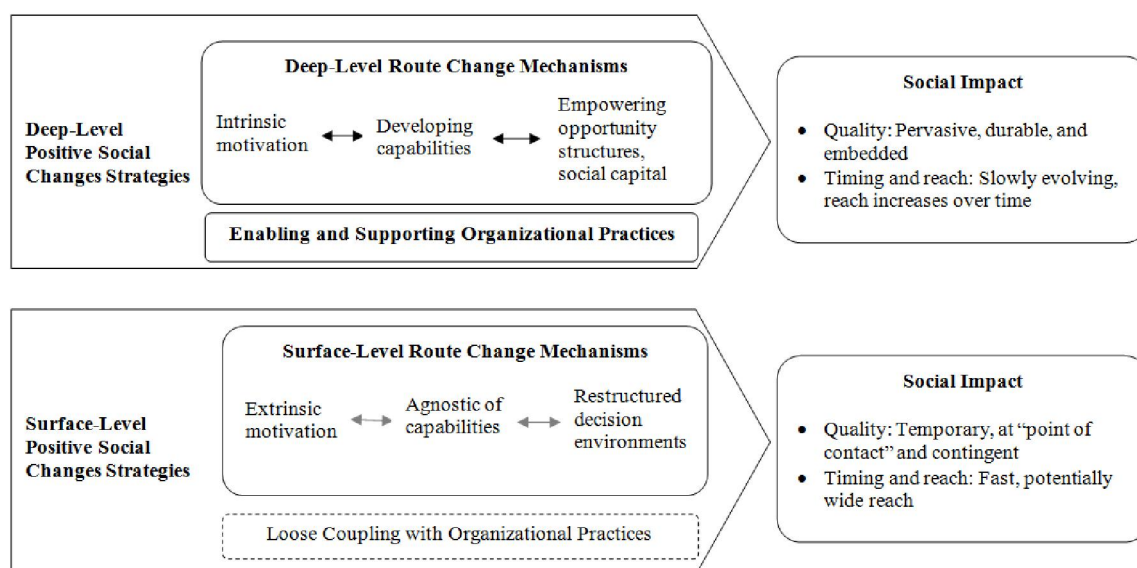


Figure 1: Positive Social Change Framework [5]

Surface-level projects provide extrinsic motivators, such as financial incentives and social pressure, and rearranged decision-making environments for the target group. Target groups' capabilities are not so important, as the behaviors are normally easy to perform and less complicated. Therefore, surface-level projects are effective in bringing about behavior change quickly and to reach a large target group.

Compared with surface-level projects, deep-level projects are often aligned with the company's core competence. The objectives of deep-level projects are to develop the target group's intrinsic motivation by changing their beliefs, and attitudes to build up their skills and capabilities and to provide empowering structures and social capital to facilitate their changes of behavior.

Furthermore, based on the literature review of Stephanie et al, the social impacts created by surface-level projects are more temporary and contingent on the permanent existence of a specific decision-making environment, unless the target groups' changed behavior have become a habit.

Raising the awareness among target groups is considered as a precondition for most PSC projects before they can even understand and make decisions on a particular issue. Motivation, capability, and opportunity have been identified as the three levers for corporate PSC projects. They argue that a lack of any of these three levers can undermine the targeted groups' behavior change [Figure 2]:

- Motivation includes intrinsic and extrinsic motivations. Compared to extrinsic motivation, the target group with intrinsic motivation is more engaged and interested in behavior change. When the target groups consider the behavioral change meaningful and have the required knowledge and they can set goals and receive feedback, it is likely to give the target group intrinsic motivation. Intrinsic motivation can also be stimulated by exerting social normative or coercive pressure. Extrinsic motivation can be stimulated by recognition and image rewards as well as financial rewards.
- Capability building of the target group is more important to deep-level projects. The target group's skills and efficacy to

perform positive behaviors can be stimulated through training, modelling and encouragement.

- Opportunities can be created for the target group by changing their decision-making environment, for example, by removing constraints and providing support. PSC projects need to provide the target groups the relevant information and participation possibilities and make relevant resources available to them. Projects can help strengthen existing relationships and networks and build new ones among previously unconnected parties. Furthermore, projects can rearrange decision-making environments to make behavior change an easier choice for the target group.

Mapping of Change Mechanisms and Enabling Organizational Practices Uncovered in the Review and Organized by Change Levers

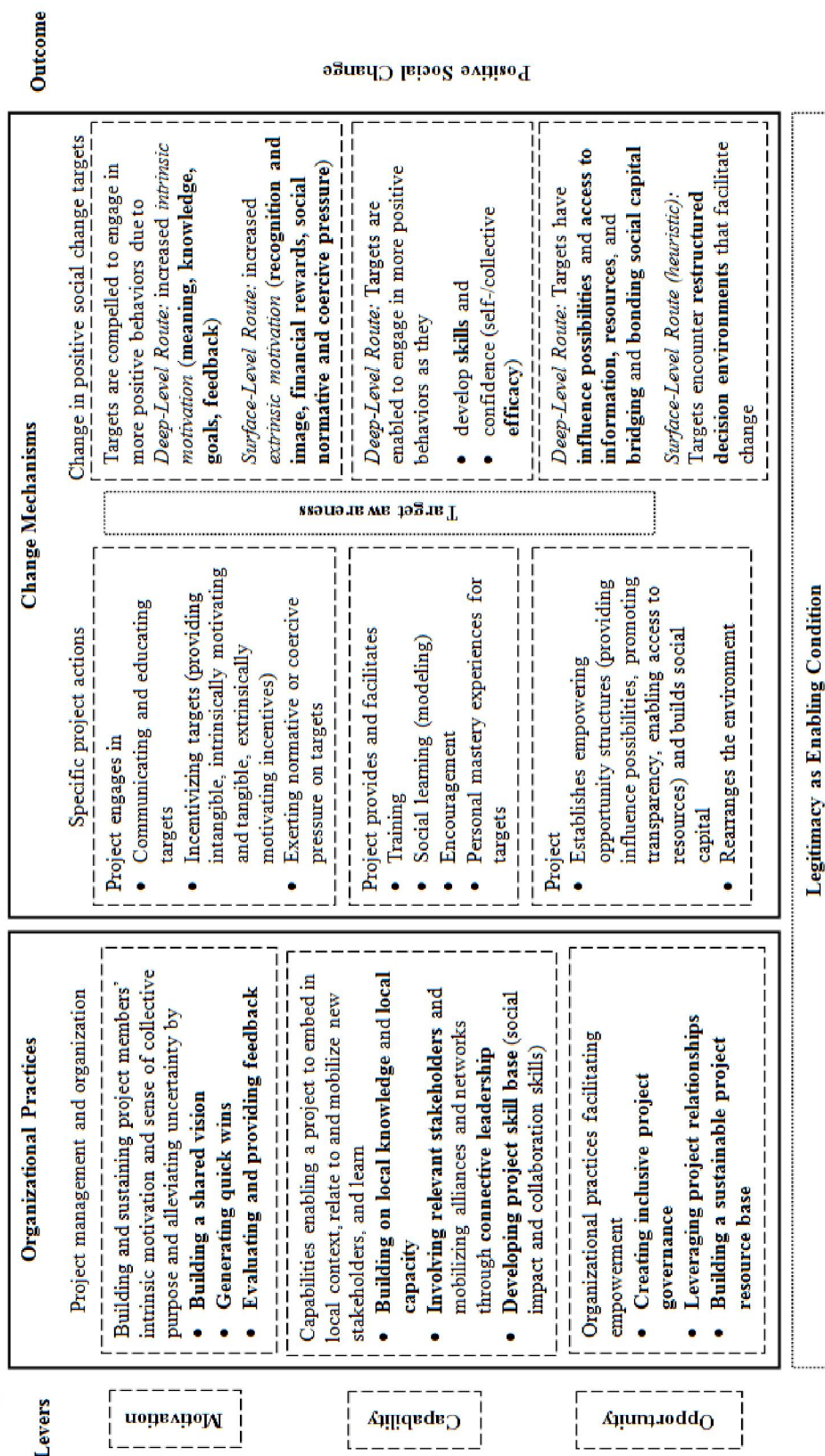


Figure 2: Mapping of Change Mechanisms and Enabling Organizational Practices Organized by Change Levers [5]

A company may have internal tools and procedures to organize, implement and manage PSC projects, which are referred as organizational practices [5]. A combination of change mechanisms and organizational practices can trigger different processes and outcomes of transformation qualitatively. PSC projects mainly cover four areas such as the environment, social and economic inclusion, health and well-being, and civic engagement.

CASE STUDIES

Company Background of Alibaba Group

Alibaba Group is an online shopping giant and a successful multisided digital platform. Founded in 1999 by Jack Ma, the Alibaba Group provides a business-to-business portal for small- and medium-sized merchants in China to sell their products to global buyers. Alibaba Group has developed into the largest online marketplace in China and is listed in the New York Stock Exchange. It has an Internet-based business model featuring “light assets and no inventory”. [8] Besides popular electronic trading platforms, like Taobao and Tmall, Alibaba Group also provides financial, logistics, computing, and other services in order to create an online ecosystem, allowing customers to “meet @ Alibaba”, “work @ Alibaba”, and “live @ Alibaba”.

Alibaba first got involved in CSR projects in 2008 when a terrible earthquake struck Wenchuan in Sichuan Province. Later, Alibaba formally developed a CSR department to develop and coordinate group-wide CSR projects. In 2012, Alibaba announced that they would adopt the platform philanthropy approach as their CSR strategy.

Starting from the first day Alibaba was established, social responsibility is an inseparable part of our business model. All our products and innovations are originated from the aim at solving social problems, which justifies the survival of Alibaba.

– Jack Ma, CEO of the Alibaba Group [7]

Alibaba Group aimed at integrating a culture of public welfare into their everyday operations and business model, creating both economic and social value. Alibaba’s efforts have emphasized raising the public’s awareness of the public interest. The four target groups are employees, customers, industry partners, and social, economic and environmental development stakeholders. Among these, Alibaba considers customers, employees and shareholders interdependent. Alibaba firmly believes that creating value for customers can bring more profit to shareholders, while value creation for customers depends on hard-working, happy, professional, and capable staff. Through these target groups, Alibaba wants to exert a positive influence on the wider society.

Alibaba has engaged in many PSC projects. Among them, Gongyi Baobei and Jutudi are chosen as a surface-level project and a deep-level project respectively.

Gongyi Baobei (Public Welfare Treasured Object / 公益宝贝)

Our final goal is to achieve both business value and public welfare value in every workflow and each activity of our Taobao Platform. We also would like to create the awareness of the public that making transactions at Taobao could contribute to the society, thus attracting more participants and enhancing the power of our public interest initiatives.

– Mr. Daniel Gu, Alibaba CSR Senior Manager [9]

The idea of Gongyi Baobei dates back to the Aixin Baobei Initiative in 2006. Aixin Baobei was initiated by Taobao’s employees to support a mother suffering from cancer who strived unremittingly to earn money by doing business on Taobao’s platform in order to bring up her daughter. The project gained extensive support from online retailers and customers.

Since then, the Gongyi Baobei Initiative has been highly integrated into the Taobao platform. Baobei, which means a “treasured object” in Chinese, is distinguished from other items listed on Taobao.com and Tmall.com by a heart shape or a public welfare logo on its description webpage. When setting up an online shop at Taobao, retailers can choose whether or not to join the Gongyi Baobei Initiative. If they agree to join, they can choose the public welfare project they want to support and decide on the donation amount for each transaction. Then, after an item is sold, this fixed amount will be automatically deducted and donated to that public welfare project. The amount could range from 0.1% to 100% of the amount of each transaction or be a fixed amount of RMB 0.02, 0.1 or 1.

As a platform provider and facilitator, Taobao bears the responsibility to select public welfare organizations to join this initiative, coordinate between these organizations and retailers, monitor the implementation of public welfare projects, and manage feedback. Taobao has reviewed and updated the list of participating organizations on a regular basis. In 2014, 1.3 million retailers joined this initiative with 84.5 million items listed by Taobao, creating 1.1 billion transactions with donations reaching RMB 72.2 million [9]. In 2015 alone, the total number of Gongyi Baobei items sold on Taobao and Tmall almost reached 31 million, which benefited more than 540 public welfare organizations [10].

Jutudi (Group Land Buying / 聚土地)

Jutudi has made a tremendous contribution in terms of using idle land, transferring the local labor, and bringing in more economic profit.

– Mr. Zhang Ping, the biggest donor of Gongyi Baobei in 2015 [10]

On 13 March 2014, Jutudi was launched as a joint effort by Juhuasuan, Alibaba's group-buying platform, and some local farm cooperatives in Jixi, Anhui Province. Jutudi allows city residents to rent idle agriculture land for growing agricultural products of their choice and to have free accommodation when traveling to these farms. Rents and wages become the farmers' income, while city residents can enjoy safe and healthy foods.

In the first phase of the project, the size of the land on offer was 1,000 mu, which is about 666,667 square meters. City residents paid RMB 2,400 for 333 square meters of land. The land could grow vegetables, fruit and/or grain. In three days' time, all the land had been rented out to a total of 3560 city residents [12]. The project did not run smoothly at first. When the first delivery took place in mid-April 2014, over 3000 packages suddenly arrived at the warehouse at the same time which was beyond the warehouse management's capabilities. The limited capacity of local transportation led to a huge vegetable backlog. The situation became even worse owing to the logistics company's lack of experience in handling fresh agricultural products. As a result, many vegetables went bad and had to be discarded before leaving the warehouse. In the first phase, the total sales were RMB 2.28 million and the logistics costs reached RMB 0.84 million, resulting in a total loss of RMB 0.25 million [13]. To solve this problem, they bought new packaging equipment from Germany and provided training to staff. The second phase of the project started on 29 September 2014. They were able to provide more product varieties, faster delivery and improved after-sale customer services. In March 2016, Alibaba formally named the operational model of Jutudi as "Xiangtian Farm" (Suburb Sweet Farm/乡甜农场) and planned for further business expansion [14].

DISCUSSION AND CONCLUSION

As online retailers, we are too busy to have time to participate in philanthropic events. Gongyi Baobei makes it easy for me to do something good for the society but also establishes a special emotional connection between me and my customers.

– Ms. Jiang Li, the biggest donor of Gongyi Baobei in 2015 [10]

Gongyi Baobei is a surface-level PSC project, while Jutudi is a deep-level PSC project. The table below shows a comparison between Gongyi Baobei and Jutudi in terms of their relationship to existing businesses, the role of the Internet, and the change mechanism.

Table 1: Comparison between Gongyi Baobei and Jutudi

	Gongyi Baobei	Jutudi
Relationship to existing business	<ul style="list-style-type: none"> ➤ An add-on feature to the existing system ➤ Complete reliance on the existing business 	<ul style="list-style-type: none"> ➤ A new business model building on the core competence of the existing business ➤ New business processes and products independent of the existing business
Role of the Internet	<ul style="list-style-type: none"> ➤ Advertising on retailers' webpage to raise awareness of the project and related public welfare programs ➤ Fund raising 	<ul style="list-style-type: none"> ➤ Advertising online to raise the awareness of the project ➤ Designated webpage for the project to provide detailed information, training etc.
Change Mechanism	<p><i>Motivation</i></p> <ul style="list-style-type: none"> ➤ Extrinsic motivation: Recognition rewards for participating retailers ➤ Intrinsic motivation: making a positive difference to others <p><i>Capability</i></p> <ul style="list-style-type: none"> ➤ No new skills required <p><i>Opportunity</i></p> <ul style="list-style-type: none"> ➤ Inclusive project governance structures: retailers can choose to sign up during the registration process and consumers can choose to buy items with the project logo. 	<p><i>Motivation</i></p> <ul style="list-style-type: none"> ➤ Extrinsic motivation: city residents' purchase of vegetables with guaranteed quality at lower prices and farmers' income increase. ➤ Intrinsic motivation: shared project values to farmers in terms of business and family values and to city residents about lifestyle values. <p><i>Capability</i></p> <ul style="list-style-type: none"> ➤ New skills required in terms of logistics management and operational management. ➤ New connective leadership required to work with different stakeholders who had never worked together before. ➤ New skills required for diverse

		<p>stakeholders to work on the project.</p> <p><i>Opportunity</i></p> <ul style="list-style-type: none"> ➤ Leverage project relationships: local farmer cooperatives developed to coordinate local farmers; project networks developed to handle business operations and work with local governments. ➤ Innovate to create new opportunities for PSC: business expansion to reach a wider rural area and serve more customers.
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From the above analysis, we find that surface-level PSC projects are very different from deep-level PSC projects in terms of their relationships with existing business operations and change mechanisms. Deep-level PSC projects are less reliant on the existing business model, which in return are more demanding in terms of creating new capabilities and opportunities. The research findings will be useful for companies which are planning to carry out PSC projects.

In our study, we assume that the internal support provided by a company to different projects should be similar. Though this allows us to focus on the change mechanism, it is undeniable that organizational practices do have a significant impact on PSC projects. In fact, Alibaba's platform CSR approach is an innovative, useful way to manage PSC projects. In the future, it will be worthwhile investigating how PSC projects are influenced by different organizational practices, and even whether similar organizational practices will influence projects in different ways.

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