

# Shared Value with Chinese Characteristics

An Interview with Shen Guojun, Founder, President and CEO of China Yintai



On June 5, 2015, Mr. Shen Guojun, founder of Yintai Group, officially announced his resignation from the positions of Board Chairman and Strategic Development Committee Chairman of Yintai. He transferred his power to Zhang Yong, CEO of Alibaba Group, hoping that traditional business could be more closely integrated with the Internet. After his resignation as chairman of the board, Mr. Shen Guojun would spend more time on Yintai Foundation.

In February 2015, we held an insightful discussion about Mr. Shen's management philosophy, his innovation of incorporating philanthropy into business practice, and the localization of "shared value".

## Addressing societies "pain spots" with commercial solutions

**MI:** It is a great pleasure to have this interview with you, Mr. Shen. How would you describe your management philosophy and management style?

**Shen Guojun:** My core management philosophy is that by identifying the needs of society, we can find "pain spots" that could be cured by commercial forces. Seizing these opportunities will undoubtedly bring about considerable rewards.

Regarding my management style I believe that developing a "family" culture to make the company a harmonious and loving place. Yintai's management philosophy is "love @ together". I believe a team with strong camaraderie will create tremendous business value.

**MI:** Are there any special life events that deeply influence your experience as an entrepreneur and your management style?

**Shen Guojun:** My childhood experience of struggling over difficulties

shaped me into an industrious, hard-working, honest, and law-abiding person. I appreciate doing things in a solid and practical way, and I am motivated by the desire to pursue excellence and to continuously create value. Aside from that, in my life experience to build up business enterprises, I realize that there are many imperfections and "pain spots" in society. Some of the imperfections could be solved by entrepreneurs with commercial methods, such as creating more job opportunities and paying more tax; while some of them could be solved by philanthropic approach, such as donation and investment with a philanthropic focus.

On the other hand, my parents influenced me greatly. My parents had deep concerns for other people's wellbeing. They would not hesitate to lend a hand to people in need. At the time when both of my parents were alive, my family was in a good position financially in the village. Once a big typhoon hit our village and many people's houses were washed down in the flood. My house was

built on the land of higher altitude, so my mother gathered all the fellow villagers in our house and cooked for them. My parents offered everything we had to eat to the people who stayed at our house during the flooding. Later, local people often talked about how grateful they were to be able to stay for just one night at our house. When we do good and help others, it actually helps ourselves. When you practice philanthropy, you feel enriched. There is joy in your heart. I believe my engagement in philanthropy today has to do with my personal experience and the influence of my parents.

**MI:** In all these years of managing companies/philanthropic organizations, you must have encountered some events where emotions came in conflict with business rationale. Could you please describe a couple of typical cases?

**Shen Guojun:** In my experience of doing charitable works, I did find some projects worth donating to and some disadvantaged people worth helping. But due to the problems with institutions or policies, I feel that donors are faced with considerable risks. For example, 10 years ago we donated to a project of building nursing home for senior citizens. The money was embezzled and the project was aborted. We donated a great amount of money to the Sichuan earthquake and yet we did not receive any feedback

regarding the use of the money. The poor management of donations and other problems greatly dampens the passion of entrepreneurs who want to engage in philanthropy. In addition, the current government policies that regulate the operation of philanthropic organizations and philanthropic activities needs to change. For example, the tax policy on donations is inappropriate (translator's note: donors can't receive tax credit for their donation). All of the above will contribute to a conflict between emotions and business rationale.

**MI:** Looking back, what do you think is the best way of dealing with this conflict between emotions and business rationale?

**Shen Guojun:** We should take a broader perspective and focus on the general trends and the big picture of industry change. Public welfare and business profits should be taken into joint consideration. To resolve the conflict between different parties with different needs requires us to put ourselves in other people's shoes and to be open-minded. In today's China, whichever industry you are in, turbulence and unpredictability are what entrepreneurs must confront with. As entrepreneurs, we must firstly keep an optimistic attitude, but at the same time be cautious. Secondly, we must always remain vigilant, be aware of the complexity of situations and seek to exceed the limits.

## Bridging business with philanthropy will create shared value

**MI:** How do you understand the relationship between business and philanthropy and the concept of "shared value"? How does Yintai translate the concept of "shared value" into business practices?

**Shen Guojun:** China has a long history of advocating philanthropy. My engagement in philanthropy has to do with my childhood experiences. I grew up in a small village. My father was a fisherman. Not long after his death, my mother also passed away. In the 1960s, Mainland China was in extreme poverty, especially in the remote rural areas where transportation was very difficult and everybody was struggling for the necessities. I barely made it through high school and graduated from college. I have two brothers and one sister. My sister is much younger than me, thus by the time she grew up, we can afford to pay for her college education. But my two younger brothers were less fortunate. They didn't go to high school because my family couldn't afford to pay the tuition fees—several RMB—for all three sons at the same time, although they all had better academic performance than I did. At that time, I strongly felt that if someone had donated some money to us, my two brothers' lives could have been changed completely. But there

was no social charity system at that time, let alone donations. We could barely fill our stomach. We couldn't afford to see a doctor if we got hurt or fell ill. These experiences did have an influence on me.

Traditionally, people would think that they would only engage in philanthropy after they have accumulated a certain amount of wealth. In fact, this is what happens when people see philanthropy and business as segregated from each other. The reason why we put forward the notion of blending philanthropy with business is that, if people embrace the mindset of philanthropy in the first place, the whole direction of business practice could be different, right from the design of business models. I often discuss the online micro-loaning business with Jack Ma. We believe it exemplifies how philanthropy could be combined with business. We cofounded an internet financial bank—MY bank which provides the internet based micro-loaning services. After a year, we have over a million clients. A more detailed analysis of the clients' profiles shows that the average loan they take is around 30 thousand RMB. These people are disadvantaged. They are in a bad position to apply for loans from the bank. They need the money to launch their own enterprises, to fund their education, or to start their online retailing business. The 30 thousand RMB may change their lives completely.

Would you call it business? Yes, the online micro-loaning company



▲ Mr. Shen Guojun receiving "the 25 Most Influential Business Leaders of the Year (2013)" Award

is business. It also has a charitable element. We provide the over one million people with an efficient and low-cost loan that they could not get from the bank. Eventually, they will pay us back. Would you call it pure business or pure charity? We believe it embodies our concept of blending charity with business. We kept in mind this direction when we designed the business model, that is, we should be making profit and helping people at the same time.

The second case in which business practices create shared value for society is Cainiao Network Technology. Jack Ma and I established the firm in May 2013. Our idea is that with the development of E-commerce, the logistics companies are growing at an accelerating rate. However, many problems have surfaced in the logistics industry, including waste of resources, poor coordination, low

efficiency, and high cost. For example, truck of SF Express (one of the largest logistics companies in Mainland China) might drive from Guangzhou to Beijing even if it is only half or one-third full.

Why do they do that? The reason is that logistics companies lack coordination, thus they can't share resources. The problems facing airlines are similar to those that face logistics companies. In the past, with ticket bought from a certain airline, you can only board the flight owned by that exact airline. Recently there has been an IT services platform that coordinates flights of different airlines, which means there is no restriction on the flight people can board using one ticket, thus saving tremendous resources for all airlines. We are concerned with the present situation in the logistics business.

By founding Cainiao, our objective is to

TNC staff monitoring biodiversity in Laojun Mountain National Geopark



optimize the structure of the supply chain and facilitate the coordination between different logistics companies, making it a services platform that provides logistics data network interconnection to help logistics companies achieve increased efficiency, lower cost, and higher service quality. Would you call it business? Yes, it is business, but more than that, it is also providing social value. With our system, fewer trucks are on the road with unutilized room for extra cargo. We solve many problems especially for the betterment of environment.

Another project we've been working on is The Nature Conservancy (TNC China). TNC's headquarters is in Washington D.C., Jack Ma and I were among the first batch of directors in China. After introducing TNC to China, we came up with a new notion, that is, to introduce a business approach into philanthropy. Together with several other entrepreneurs, we established the first conservation area in China where

the governments delegated part of the management authority over it to charity organizations.

Traditionally, entrepreneurs have engaged in environmental protection activities by making donations to NGOs, and then left the work to them. However, due to the incompetent management, how the money was spent was usually untraceable, which is rather upsetting for us. Thus, we decided to establish our own foundation. After obtaining approval from the government, we established a conservation area of 100 square kilometers which used to be a state-owned forest. Local residents make a living by hunting and forestry. Our foundation changed the economic landscape of this area. People that used to subsist in the area by hunting and forestry were relocated and given work in new areas, such as organic farming, tourist resort construction, or they were hired as forest rangers for the conservation area.

Every year, the foundation's board members buy agricultural products raised in the conservation area (such as livestock, honey and walnuts). They also help local residents sell products through an e-commerce platform. The foundation has thus greatly increased income levels of local residents and successfully preserved the eco-system where the wild panda lives. By adjusting the way a conservation area is developed, conflicts of interests were overcome, and a balance between economic development and environmental protection was achieved. The government is happy and we did something that is very innovative. This is how we introduce business mindset into philanthropy.

In China's business world, people traditionally think that business has nothing to do with philanthropy. Philanthropy is about donating money, while business is about making profit. But we propose the concept of shared value creation meaning philanthropy

should be connected with business, which I believe is the future direction. Moreover, if people accept the idea of bridging business with philanthropy, both the business environment and public welfare will be improved. Doing business with a philanthropic mindset is different from doing business with pure business mindset. The difference lies not only in the approach, but more importantly, in the type of contribution we bring to society, in the value created and added to society, and in people's judgment and evaluation of you.

**MI:** What is Yintai's focus in corporate philanthropy? How do you see Yintai's role as a path-setter in promoting shared value initiatives?

**Shen Guojun:** In recent years, I collaborated with many Chinese entrepreneurs on philanthropic activities. We focus on several projects. One is Ai-You Foundation which was co-founded by Pony Ma, Jack Ma and I. It is by now the largest foundation in Mainland China that specializes in providing medical care for children suffering from congenital heart disease. To date, more than 25,000 heart surgeries had been performed through the Ai You Foundation, setting a record in the history of child-care philanthropy. Another recent project aims at rescuing orphans that are also physically challenged. In China, disabled newborns

in rural areas are often deserted by their parents and accommodated by orphanage. These institutions don't have the money to fund necessary surgeries for the physically challenged children. Thus, last year we collaborated with Ai-You Foundation and set up two care centers — the Ai You-Yintai Kaifeng Care Center for Children and the Ai You-Yintai Beijing Home for Infants. This is the second project that is related to child-care under Ai-You Foundation. Another project we are undertaking specializes in providing education and medical services to children with autism. There are many children diagnosed with autism these days, we collaborate with Tencent on relevant projects. Ai-You Foundation mainly focuses on child-care philanthropy which includes three projects: providing medical care for children with congenital heart disease, helping disabled orphans, and providing education and medical care for children with autism.

TNC's headquarter is in America, thus the TNC China is subject to very strict supervisions by various government departments, which has limited its development on the mainland. We've reached a bottleneck in the process. Thus, Jack Ma and I decided to establish our own environmental protection foundation and named it Taohuayuan, which is a classical allusion from ancient China's literature meaning a otherworldly beautiful village where the residents live in

harmony with nature). The foundation will have subsidies in Shenzhen and Hong Kong. We are also planning to expand its operation abroad. Last year we made donations to Africa. I am the head of the preparatory committee, which consists of 8 other entrepreneurs including Jack Ma, Pony Ma, and Zhu Baoguo. A few days ago I talked with Robin Li about philanthropy. I said, BAT (Baidu, Alibaba and Tencent). Robin Li is CEO of Baidu; Jack Ma is CEO of Alibaba, and Pony Ma is CEO of Tencent) compete against each other fiercely in business. But now you can walk hand in hand for philanthropy. Due to my personal friendships with these entrepreneurs, I assumed the role of the head of preparatory committee and coordinated their activities.

Our goal is to establish a new model in philanthropy, that is, to introduce a business mindset into the operation of philanthropic organizations, and to incorporate shared value into this foundation. I recommend Jack Ma to be the first chairman of Paradise International (Taohuayuan) Foundation, and we will hire another professional to be the CEO of the foundation. I will be responsible for coordinating different participants' activities. We've been doing a lot of work to prepare for the establishment of conservation areas in multiple regions in China, including forest, marshland, tidal land, and water sources. In a few years, we expect to drive global

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impact and expand our activities to other countries. Our goal is to set up hundreds of conservation areas all over the world.

It is meaningless for people to follow the trend in philanthropy without a purpose. My vision of Yintai Foundation is that, all the work that the Yintai Foundation does should not be done for show, not to grab attention. We make sure every step we take is steady and solid, and overcome the hurdles that face China's philanthropy. We choose to pursue projects that others haven't thought about, that do not have immediate effects, but that are highly innovative and will have large impact in 20 to 30 years. That's the reason why Yintai Foundation focuses on the above areas.

**MI:** The concept of "shared value" originated in western countries. Is there any difficulty in applying "shared value" to the Chinese context? On the other hand, is there anything western countries can learn from philanthropic activities with Chinese characteristics?

**Shen Guojun:** In China, when we talk about shared value, I think lots of people don't understand what it means. Just like I said, the traditional view is that business has nothing to do with charity. Now we put forward the idea of shared value, I think it would take some time for people to accept it, and we need successful cases to convince people of the feasibility of this new approach. I feel that western countries have deeper understanding and stronger approval of shared value. It may have to do with their religion. The charity system in western countries is well developed. People see making donations to charity as a common practice and helping others as a natural duty. In China, it would take a certain amount of time to educate and to guide people from entrepreneurs to the general public before they accept the idea of shared value.

### Cultivating a social enterprise talent pool

**MI:** Why did Yintai found the Master

of social enterprise program at Peking University? How did Mr. Shen get the idea in the first place? What are the objectives of the program?

**Shen Guojun:** Since Yintai founding in 1997, we have been engaging in philanthropic activities. Especially in recent years, we are making increasing investments in public welfare. In the process, we find a series of problems in the current charity system. In Mainland China, philanthropy philosophy, philanthropic organizations, the relevant policies, and human capital in this area are all under-developed. There is a great gap between us and the western countries in terms of the development of the charity system, especially in legislation of philanthropy. Thus, after 5 to 6 years of first-hand experience in philanthropy, we decided to establish a master program to help develop human capital to help create future leaders for China's philanthropic sector.

In 2014 I had the chance to share with Wang Enge, the then-president of Peking

University my opinion on the importance of philanthropic education. He was very supportive of my idea. Jack Ma was there and he also strongly supported the idea. The three of us reached the agreement that we would found a master's degree program that would change the face of philanthropy in China by cultivating a social enterprise talent pool. This is more important than donating money to charity, because what the philanthropy in China lacks is not money but professional management and expertise. Many wealthy people spend their money on purchasing luxury goods from overseas. The problem is not that they don't have the heart to do good, because they do; it's how we could help to guide them and initiate their engagement, and make their participation in philanthropy a rewarding experience. Moreover, we should help to improve the management of philanthropic organizations so that they can direct donation to where it is needed, avoiding wasting the money. Restoring and building the public's trust in philanthropic organizations is also of vital importance.

Scandals such as the Red Cross in China should be eradicated.

The number of philanthropic organizations is growing fast in China, including those in both the civic sector and the public sector. Although the total amount of philanthropic organizations is not as large as that in America, the growth rate is increasing rapidly. However, to be honest, there are very few high-level management professionals in the philanthropic organizations, because we don't have education programs providing the training. It is rather difficult for a philanthropic organization to recruit a qualified secretary-general or other management professionals, especially in Mainland China. Thus, we see the market demands for such human capital in philanthropy and the frustration of many philanthropic organizations. Many entrepreneurs in the private sector I know are very enthusiastic about philanthropy. Some of them want to engage in charitable works at their prime age, some want to engage after they retire, and others wish to establish their family's own

philanthropic foundation. But they don't know how to manage it; neither can they find professionals in philanthropy to assist them. This is a pervasive phenomenon in our circle. I can see the problems facing China's philanthropy, the pain spots, and market demands. So I decided to collaborate with Peking University on this program.

I wish to make the program the Huangpu Military Academy in China's philanthropy (Note: Huangpu Military Academy was the most renowned military academy in the Republic of China). We hope that in 10 to 20 years, most of management experts in governments and large philanthropic organizations are graduates of this program. The program will not only train professionals for civic philanthropic foundations or organizations, it also will cultivate a talent pool for the governments departments that are related to philanthropy or public welfare, such as Ministry of Finance, Ministry of Civil Affairs, and Ministry of Environment Protection. If people working in government departments



that supervise NGOs don't know about philanthropy, how could you expect them to effectively teach and guide other philanthropic organizations?

By founding this master program together with Peking University, we hope graduates from it could also take occupations in government institutions and change the mindset of the supervisors and regulators of NGOs. A teacher must acquire certain expertise before he can appropriately guide and teach others. To drive revolutionary impact and to change the face of philanthropy requires efforts from not one person, but one generation. It will take 5 to 10 years to fundamentally improve situation. This is what we expect to achieve.

### Subtly exerting influence over the next generation

**MI:** To your understanding, is there a cohort effect on entrepreneurs who are enthusiastic about philanthropic initiatives? What do you expect from

the young generation of Chinese entrepreneurs in terms of their engagement in philanthropic initiatives?

**Shen Guojun:** This is a good question. I often ask myself, among Chinese entrepreneurs, who are more willing to engage in philanthropy, who make more contribution to China's charity works? Your judgment is correct. It is our generation that is more enthusiastic about philanthropy. Why is that? The last generation of entrepreneurs are now senior citizens, and most of their enterprises have disappeared. It has only been 30 years since China's reform. The last generation of entrepreneurs had limited financial means and thus could not engage that much in philanthropy, even if they wanted to. The next generation of business leaders didn't share our experience of struggling over difficulties. They didn't witness the destruction of environment. Will these young entrepreneurs, especially the so-called the second generation of wealth and those who are born with financial

privilege feel the same passion to engage in charity? Will they share our idea of philanthropy? These are question we've been thinking about. To be honest, these are questions of critical importance.

Part of the reason why we promote the concept of shared value and incorporate philanthropy into business practice is that we wish to subtly exert influence over the next generation. Our collaboration with Peking University will teach entrepreneurs how to combine philanthropy with business. We will guide the new generation of business leaders who are born in the 1980s and 1990s. I believe it is our generation's responsibility, and we've been working hard toward this goal.

From my understanding, the emergence and development of Chinese entrepreneurs could be divided into several stages. Before the liberation in 1949, entrepreneurs were mostly from family business. They inherited family wealth and then passed it on to the next generation after they passed away. From 1949 to 1979, people were poor and there

was no wealth to be inherited or passed on. During the 30 years from 1979 to the present time, certain amounts of people have accumulated considerable wealth. They have higher level of education. Some of them have bachelor's degrees or master's degrees; others even received education from overseas. Their education background greatly influenced their views about wealth. Some young entrepreneurs are more future-oriented when they think about how to dispose of their wealth after they retire or decease. Will they follow the tradition of passing on their wealth and property to family members? I believe although some people may still hold on to the traditional approach, others are ready to embrace the change. For example, they may choose not to pass their wealth all to their children. Instead, they will donate part of their money to charity. I believe in 10 years or so, entrepreneurs like us will donate most of their spare time and a considerable amount of their wealth to philanthropic activities. This might be different from traditional businessmen in China. I feel like the

I believe our generation should go further to advocate change and improvement.

turning point will come in our generation. From where I stand, I believe this is the beginning of a new era. The previous generations of businessmen are very traditional in the sense that they always dispose of their wealth by passing it on to family members. Our generation could be the turning point in history. If we do it right, it could make a good example for the next generation of entrepreneurs. I believe this is the way it works.

**MI:** It seems that you are trying to revive some traditional values and morals in China.

**Shen Guojun:** I think we should make some changes to the traditional values. Adaptations should be made on the basis of what has been passed on to us. China does have some valuable traditions, such as the idioms that call for wealthy people to engage in philanthropy.

There are many great philanthropists in China's history. But I believe our generation should go further to advocate change and improvement. We should use a more scientific approach to do something more pioneering. We should collaborate with each other to pursue collective goals that are innovative and that can affect real change to our future society. Environmental protection, human capital development, business ethics inheritance..... No matter what area we focus on, we should not follow the old approach in which philanthropy is regarded as synonym of donation. Donating a school, a temple, or a road is the traditional way of doing good. But now we should think bigger, taking a more long-term-oriented point of view, where business is connected to philanthropy to do something that could change the society in 10 to 20 years. ■

2001

He finished management buy-out via purchasing 20% equities of China Yintai Investment Company. He also purchased Ningbo Hualian Group and Science City Development Public in the subsequent years.

2007

Intime Department Store Group was listed at Hong Kong Stock Exchange.

2010

He became one of the co-founders of Yunfeng Capital, which was jointly founded by Jack Ma, Yu Feng and tens of other successful entrepreneurs.

2013

In May, he jointly founded the Cainiao Network with Alibaba Group and took up the position of CEO.

2014

He initiated to establish Yintai Public Welfare Foundation as honorable Chairman at the beginning of 2014.

