

# From the Employment Model to the Cooperative Model—Crowdsourcing

Bo Gao

College of Humanities and Sciences of Northeast Normal University, Changchun, Jilin Province 130117,  
China

105898493@qq.com

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**Abstract:** Under the background of “mass entrepreneurship and innovation” and with the vigorous development of internet technology, crowdsourcing, a sourcing model based on the internet, begins to emerge, which transforms the traditional employment model. Enterprises with internet thinking are able to integrate in-house resources with external information effectively to create more economic values for business management. This paper discusses and analyzes the role of crowdsourcing in promoting SMEs’ management innovation.

## 1. Introduction

“This is an era when employment relation need to be redefined, one who sees him as a boss falls the fastest and one who sees him as an employee would get nowhere,” Said Yu Minhong in 2015, president of the New Oriental Education & Technology Group. What he means to say is that the era of cooperation has already come.

The cooperative model has been a major subversion of the traditional employment relationship. Employees have turned from working for employers to become partners of their companies and the employee-employer relationship has changed fundamentally from opposites to working partners sharing common interests. The introduction of the cooperative model into business operation has become the inevitable outcome as our era advances.

Among the diversified cooperative models, crowdsourcing stands out prominently. Enterprises’ operation model evolves with age. Nowadays, the era of win-win cooperation has come whether it is for traditional or internet enterprises. Crowdsourcing is a new type of organization model with more vigor and vitality and is an effective way to achieve coexistence and a win-win situation.

## 2. From the Employment Model to the Cooperative Model

### 2.1. Employment Model.

Employment relationship refers to the reciprocal rights and obligations created between the employee and the employer in which a person performs work or services under certain conditions in return for remuneration. It exists on the basis of contracts made between employers and employees and such contracts could be written or orally made. Employment relationship in its broad sense includes “labor relations”. Once labor relations are established between employees and employers, reciprocal rights and obligations are created and employees must strictly conform to the rules and regulations made by their employers and accomplish tasks assigned to them; while employers need to remunerate employees for their production and values created and provide them with a series of benefits according to a country’s law. Under such a system, a kind of relation forms between employees and their companies in which employees is committed to working for their companies and employers provide them with remuneration. Moreover, a close relation between employees and the companies gradually forms, with the former having high organizational commitment.

### 2.2. Problems with the Employment Model.

The first is its restriction on talent flow. In traditional enterprises, employees are provided with

remuneration for their work. But with their enthusiasm at work gradually waning, many employees become accustomed to the comfortable environment and lose passion for innovation, and without innovation companies lose vitality. But it is often difficult for companies to replace them with new blood because, on the one hand, employees' self-interest behaviors make it difficult for enterprise to discharge them and on the other hand, the laws and regulations to protect labor increases the risk of dismissing employees. The second is increase in labor cost. With the development of technology and market environment changing, sometimes it is necessary to downsizing to reduce labor cost. In addition, China's recent policy to include social insurance collection into tax bureau requires enterprises to pay social insurance for their employees, which also raises labor cost. The third is difficulty in restructuring. Many enterprises are unable to survive under the current employment system and seek to restructure their business. But the employment model makes it difficult for enterprises to reform their organizational structure.

### **2.3. The Cooperative Model can Promote Organizational Reform.**

Organizational reform demands our immediate attention. The cooperative model is a new type of organizational mechanism and management model which converts the model of capital employing talents into a relationship in which both parties share resources, responsibilities and innovations together to jointly promote enterprise development and innovation. It brings the relation between employees and employers more closer and develops talents potential more adequately and management more efficient, fully activating the vitality of team members.

## **3. The Emergence of Crowdsourcing and its Development**

The concept of "crowdsourcing" was firstly proposed by American scholar Jeff Howe. It refers to the practice of companies or institutions outsourcing tasks previous undertaken by their employees to an unspecific large crowd of people who voluntarily providing services, either paid or unpaid, typically via the Internet. Crowdsourcing spreads work among individuals and if a task requires collaborations among multiple members, it can also exist in the form of relying on an open group of internet users. In fact, the concept of "crowdsourcing" originates from reflections on enterprises' innovation model. It is an organization model in which tasks are outsourced to a large number of people outside the enterprise, which enables enterprises to obtain resources more efficiently and with a lower cost. Crowdsourcing can bring opportunities for more SMEs, but currently the application of crowdsourcing is still at the exploratory stage. Through sorting out literature abroad and at home, it is found out that most scholars study crowdsourcing from the following aspects: study the origin and development of crowdsourcing from a theoretical angel; the influence of crowdsourcing on enterprises' economic cost; users' understanding of crowdsourcing and users' sense of participation in crowdsourcing, etc. However, there are only a few studies focusing on the employment system of SMEs from the perspective of crowdsourcing. China's SMEs requires great amount of low-end human resources in a variety of areas and most of them are in the labor-intensive industry. Facing the two major challenges of global economy integration and domestic economic transformation, the lack of talents, especially highly skilled management and technical talents, has significantly restrains the healthy development of China's SMEs. Therefore, to introduce crowdsourcing into SMEs to improve their working efficiency and reduce labor cost has become an effective measure for SMEs to adapt to the competitive pressure from outside and improve efficiency.

## **4. Crowdsourcing Theory and Relative Value**

### **4.1. Crowdsourcing, an Innovative Mode of Thinking.**

The concept of crowdsourcing, in fact, stems from reflections on enterprises' innovation model. Traditional product innovation approaches follows the following path: producers firstly investigate the market and then find out consumer needs according to the result; lastly products are designed according to demand. However, the returns of such approaches are usually very low. Nowadays,

with the popularization of internet, consumers' enthusiasm for innovation and innovative ability has showed great potential and business value. Democratizing innovation represented by "content created by users" has gradually become a trend. Currently, crowdsourcing has entered into the design field and becomes the latest business model that is about to set off a new round of internet wave. More importantly, this will be very likely to subvert enterprises' traditional innovation models.

## 4.2. Analysis of the Characteristics of Crowdsourcing.

Crowdsourcing outshines outsourcing. Outsourcing refers to a management model in which one company hires another outside company with the best professional resources to reduce cost, improve efficiency, bring their core competency into full play and improve its ability to adapt to external environment. It is the inevitable outcome of work specialization and the production of economies of scale with the division of labor. Outsourcing emphasizes specialization, while crowdsourcing is the production of the internet, emphasizing social differences, diversification and the potential to innovate and relying on "the grassroots level". Crowdsourcing expands the boundary of innovation and taps into social resources. Previously, enterprises' R&D and innovation activities are mostly conducted internally. Nowadays, more and more enterprises adopted the "inside and outside" approach, with their eyes setting on the outside and using social resources to improve their R&D and ability to innovate. Currently, Witkey, a very popular online platform, is a typical example of crowdsourcing. Enterprises post tasks on Witkey platform, which links a multitude of external professionals who bid for tasks according to their expertise and enterprises' target price; the trade is completed on the platform after intentions are made and the cooperation ends with the close of the project. By tapping into social resources via internet, crowdsourcing can improve efficiency, lower cost and make better use of social resources. In crowdsourcing, "grassroots" become the primary force of innovation. The dynamic software development movement fully proves that software written by internet users is often as better as the ones developed big company programmers. Moove, the winner of the 2005 Peugeot Design Competition, was written by a 23-year-old Portuguese student. Nowadays, crowdsourcing, providing cheaper human resources while creating more values, has been on its way to prosperity.

## 5. How Crowdsourcing Works

By using the crowdsourcing technique, SMEs can reduce labor cost, optimize resources, improve working efficiency and avoid labor capital disputes while promoting the virtualization of organization structure to respond to the country's calling for mass entrepreneurship and innovation. For crowdsourcing companies, it can lower cost, collect a wider range of ideas within a short time and include consumers into the product design process, increasing the success rate of new products; and for individual contractors, they can gain benefits and hands-on experience, realizing self-value and assessing their capabilities.

### 5.1. How Crowdsourcing Works—Crowdsourcing Platform.

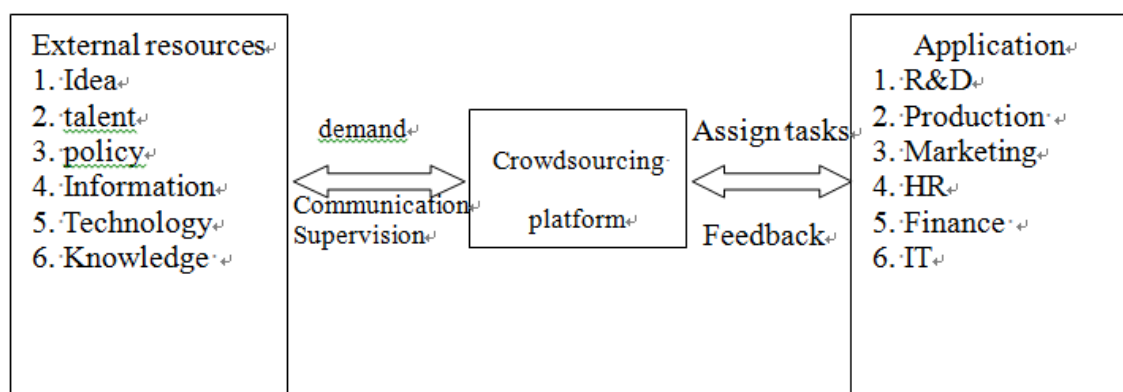


Figure 1. The integration of internal and external resources on crowdsourcing platform

Crowdsourcing, based on the cooperative model, is able to integrate information and resources inside and outside a company and realize mutual benefit and a win-win outcome. Internet technology has expanded the traditional boundary of enterprises significantly, through which crowdsourcing is able to integrate internal and external resources and provides exhibition platforms to enterprises. External resources can obtain information about enterprises and complete transactions with them through the platform. To a certain extent, crowdsourcing endorses the transaction parties.

Crowdsourcing operates as follows:

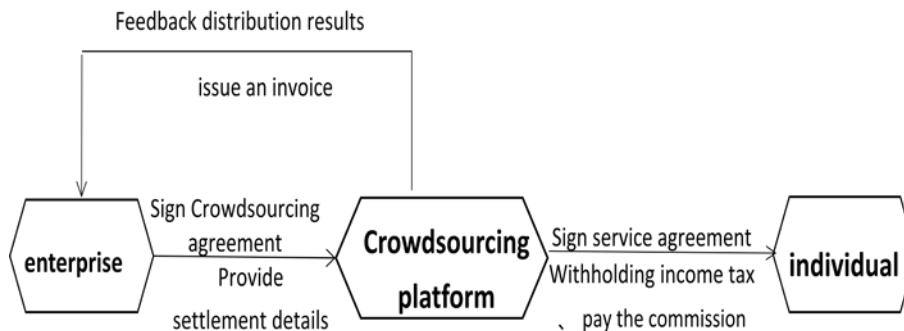


Figure 2. The operating model of crowdsourcing

The operation of crowdsourcing includes the following aspects:

- 1) Crowdsourcing platform signs crowdsourcing agreement with enterprises.
- 2) Platform provides enterprises with different ways of signing e-contracts according to their needs.
- 3) Enterprises provide settlement details to be reviewed by the platform.
- 4) Enterprises make payments and platform pay the commission according to the settlement details.
- 5) Individual receive payment and can consult online through the platform's artificial intelligence system.

## 5.2. The Advantages of Crowdsourcing Platform.

Crowdsourcing platform as a place where information assembles assigned tasks to suitable collaborators to achieve a win-win result. Individual contractors can work on what they are good at, improve their ability and obtain benefits. Different from the traditional labor relations, dispatched labor, part-time job, temporary transfer, internship and outsourcing, etc., crowdsourcing uses the cooperative model to promote the reform of production mode and organization structure, improving enterprises' ability and vitality to innovate. Crowdsourcing is a service platform based on "internet + service". Individuals, as independent economic entities, establish cooperative relations with the platform. Individuals can have real-name authentication through online e-contract on the C end and through improving the working flow between the two ends, settlement risk can be reduced. Individuals undertake tasks assigned by companies on the platform as flexible employment staff and the remuneration they obtain are taxed as business income, without being included in comprehensive income.

## 6. Summary

During the era of mobile internet, compared with traditional employment model, the cooperative model has showed more vitality. Nowadays, crowdsourcing has been widely used in the internet industry and crowdsourcing thinking has now become an important part of internet thinking. As a model based on internet, Crowdsourcing has brought transformative change to the various aspects of internet. Therefore, to understand and use crowdsourcing is of great significance to China's enterprises, especially SMEs.

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