

The Driving Forces of Charitable Donation: A Case Study of ERKE company

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Abstract

The paper, starting with the flood disaster that erupted in Henan in July 2021 and taking the enterprise charity practice of EREK as a single case research object, discusses why a bankrupt company can revive from charitable donation. The paper, putting forward the mechanism of enterprise charitable donation from outside to inside and drawing the view that “charitable donation can only raise corporate value when it is seen as a true expression of corporate social responsibility”, provides a case reference for promoting the sustainable development of corporate charity and enterprise strategic development by understanding the current connotation and market reaction, the charitable environment faced by enterprises, as well as the corporate charitable donation driving factor of Chinese enterprises in the face of major natural disasters.

Keywords: Enterprise charity, driving force, transfer mechanism, natural disaster, corporate development

JEL Classifications: D64, D22, E22

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1. Introduction

Huge natural disasters always maximize human compassion for vulnerable life. The outbreak of the 2008 Wenchuan earthquake caused the donation climax for the first time. According to the 2008 China Charitable Donation Report reported by the Ministry of Civil Affairs, all kinds of charity donations reached 107.049 billion yuan in that year, causing a mushrooming growth in charity donations. Of which enterprise charitable donations accounted for the largest proportion, so it is also known as "the first year for Chinese enterprises to fulfill their social responsibilities with charitable donations". Before this, charity was led by the government (Tan, 2009).

In this donation tide, different enterprises have different performance levels, so the effect is quite different. Wong Lo Kat, ranking at the top of Chinese enterprises with a 100-million-yuan donation, donated the fastest, which instantly established a high image for the company and gained huge market attention and pursuit, so the brand value has soared; while China Vanke Co., Ltd., only donated 2 million yuan to receive the national name of "malefactors of great wealth". In just six trading days, the company's market value "evaporated" by 20.4 billion yuan, and its brand value evaporated by 1.231 billion yuan compared with the previous year. Even though Wang Shi, the president of China Vanke Co. Ltd., freely invested 100 million in participating in rebuilding after disasters, but the company still could not recover from the downward trend in their stocks. It was widely believed that this was a huge gap compared with Vanke's sales of 52.36 billion yuan in 2007, which seriously deviated from public expectations and was under the pressure of public opinion (Li & Hao, 2009).

Therefore, natural disasters, providing an opportunity for enterprises to do good works, let more enterprises catch sight of the "interests" behind this. Since then, enterprises' charitable donations have changed from "hesitation" to "follow the trend" in the face of natural disasters. This dramatic change reflects the lack of concept of the corporate social responsibility. The root cause of corporate charitable donations is the influence of the external driving force rather than the internal driving force. The research results of the Donation Research Group of the Policy Research Center, Chinese Academy of Social Sciences indicate that in the drive of donation decisions, the donation driving force of foreign companies are mainly derived from the internal drives of planning strategy, employee initiation, and leadership initiatives at a ratio of 80%, compared with only 41% of Chinese companies. The driving force of Chinese enterprises is mainly external drives; from government mobilization, community solicitation, and community application at a ratio of 59%, compared with only 25% of the corresponding foreign enterprises (Yang & Zhu, 2021).

No matter what driving force the charitable donation is, the public does not have a correct understanding of corporate charitable donation due to the charitable environment is not mature. The prevalence of "how many heroes" and the phenomenon of "hatred of the rich" determines that once a major natural disaster is encountered, enterprises will be sure to devote themselves to the trend of charitable donations. However, this kind of charitable behavior is mostly transient behavior in the event of natural disasters, which lack systematic, long-term planning, regard charitable donation as an important part of corporate social responsibility, nor realization of the importance of the external driving force of charitable donation. In the internal driving force, charitable donation is not only conducive to the development of enterprises but also conducive to social development, which can achieve a win-win effect. Meanwhile, it can also promote the long-term development of charity in the society (Pan et al., 2017).

With the development of the economy, whether enterprises fulfill their social responsibilities, it will receive more and more public attention, directly affecting the reputation of the enterprise and then affecting its performance. In recent years, some scholars have believed that the modern enterprise donation model will be a new model of combining charitable donation with enterprise development strategy and market development strategy (Zhang, 2014).

The research, taking ERKE's enterprise charity practice that happened in the flood disaster that erupted in Henan in July 2021 as a single case study object, discusses why the bankrupt company can revive from charitable donation. And understanding that, under the premise of the imperfect charitable environment, the connotation, market response, and driving factors of the charitable donation of Chinese enterprises emphasize the importance of the transformation mechanism of the internal and external driving force of the enterprise charitable donation. At present, Chinese and Western scholars have done less research on this. Finally, the paper, putting forward the view that "charitable donation can only improve corporate value when it is seen as a true expression of corporate social responsibility," provides a case reference for promoting the sustainable development of corporate charity and enterprise strategic development.

2. Literature review

2.1 Corporate charity and charity environment

Charitable donation is an important aspect of social responsibility undertaken by enterprises, and behavior of enterprises donating funds, labors or in kind to local or areas or social groups in need of help (Yang & Ge, 2009). Both Chinese and western countries regard the nature of charitable behavior as an internal moral behavior (Wang, 2015). The charitable investment theory holds that corporate donations are the accumulation of enterprise reputation, honor capital, and social capital. The accumulation of capital brought by charitable investment, winning more customers, creates a good brand image and brand loyalty. In the face of major natural disasters, enterprises' charitable donations can raise the popularity and reputation of enterprises sharply and their image in the eyes of consumers rapidly. Changing the concept of corporate charity as an investment concept means that, as long as charitable donations are handled properly, enterprise charity will bring rich returns to enterprises (Zhang, 2014).

Zhang et al. (2010) believed that the higher the degree of competition in the industry is, the clearer the market-oriented orientation is, the greater the reputational effect of charitable donations is; the stronger the incentive for businesses to make charitable donations in the event of natural disasters is; Dai and Kong (2014) found that businesses that were originally neglected can use the reputational improvement of charitable donations to regain the attention of analysts and media in natural disasters; by enhancing the company's reputation to guide the actual and potential consumers' preference for the company's products, it can bring more economic benefits to enterprises than "advocacy advertising" (Lev et al., 2010).

China's charity environment has not been mature, mainly in several aspects: 1. the internal motivation and decision-making mechanisms for charitable donation are insufficient. Many enterprises do not combine charitable donations with enterprise operations, and do not pay enough attention to corporate charity; 2. the development level of charities in China is limited to a small number of relatively successful operations; poor professional quality; low work efficiency; low operational transparency; and credibility, which also restricts the pace of the development of China's philanthropy; 3. charity

legislation is relatively lagging behind. Despite the state having amended the Charity Law since 2009 and having improved in recent years, the most important charitable donation tax preferential policies for enterprises are still unclear and do not have better operability as a whole. This largely restricts the enthusiasm of enterprises for charitable donations (Song, 2018).

The environment, undoubtedly, has a great impact on the effect of charitable donations on enterprises, and enterprises often take various measures to adapt to it. Enterprises catch sight of some kind of hope from charitable donations during natural disasters. Therefore, some enterprises have established a set of emergency response mechanisms. They fulfill their social responsibilities quickly, comprehensively, and accurately, thus gaining high praise from the public in charitable donation opportunities. For example, Alibaba, Tencent, Baidu, and other big companies are very representative, and they will never make the company's image suffer a deathblow at a critical moment. Even some businesses that posted huge losses will donate. For example, "ST Changhe" lost 89.11 million yuan in the first quarter but donated 3.3 million yuan to the disaster area; Pacific Securities suffered a huge loss of 250 million yuan in the first quarter but still donated 1 million yuan (Zhang, 2008).

According to the institutional theory and stakeholders theory, this seemingly passive upgrade to active charitable donation behavior reveals enterprises' compliance with the institutional environment and compliance with external rules and standards at the back, with the purpose of obtaining the trust and recognition of the stakeholders (He, 2014). As a result, it can be said that the influence of the external institutional environment on corporate charitable behavior can be quantified. Basu and Palazzo (2009) believed that the internal driving factor is the decisive factor in corporate charitable donations.

2.2 External and internal driving forces

The driving force of corporate social responsibility mainly includes both external and internal aspects. The external system mainly comes from government departments, the capital market, and the public and non-government departments to promote enterprises to assume public responsibility through legal constraints, information disclosure, public opinion supervision, and relevant norms; the internal driving force is mainly carried out through the systematic and planned setting of corporate purpose and corporate governance mechanism (Mai et al., 2017).

Internal and external driving forces can enable enterprises to assume social responsibility, and enterprises can be supported by national law, and positively evaluated by public opinion because of their social responsibility. The added value of brands also rises, thus enhancing the competition and profitability of enterprises. Finally, enterprise managers are aware that charitable donation by enterprises is not only beneficial to the society but also beneficial to their own development and growth. With the continuous enhancement of the corporate charity concept, enterprises incorporate charitable donation into the company mission and regard it as an important part of corporate culture to implement strategic charity donation; set up a charitable donation department; even further special charitable donation; form a scientific, systematic, planned, step-by-step charitable donation; realize the virtuous cycle of donation activities; and gradually realize the transformation of charitable donation from an external drive to an internal driving force (Song & Wang, 2010).

In the transformation process, we should pay attention to timeliness. Quality information theory emphasizes that the timeliness of the enterprise announcement of donations is an important factor affecting the value of the information. The more timely

the information is disclosed, the greater the impact of the enterprise will be. Pattern (2008) also believed that the amount and timeliness of the donation are very important and whether they are the main indicators of the external or internal drivers affecting the social judgment of corporate charitable donation behavior is unclear. The earlier the disclosure is, the more the corporate charitable donation behavior itself shows sincerity, and the later the disclosure is, the easier it is to be considered as a forced act. Timely corporate charity announcements are seen as a positive signal, so the more timely the donation is, the greater the market reaction the business causes.

2.3 Mechanism of driving force from external to internal and existing problems

Anderson's experiments (2005) show that long-term corporate charitable donation is easier to recognize and support by the public, which is more conducive to shaping the corporate image and improving the social reputation of the enterprise. The view of value improvement also believes that adhering to long-term charitable donations can help enterprises improve their social networks, gain more political support, get a good hand in resource competition (Anderson, 2005), and improve the value of enterprises (Brammer & Millington, 2005), which shows the importance of establishing the driving mechanism of enterprise charity donation to transfer from outside to inside.

The research proves that the driving force of enterprise charitable donation, from external to internal, must have two conditions: 1. charitable acts are fairly and reasonably disclosed and recognized by the public; and 2. The quality of their own products and services should be guaranteed. The two conditions supplement each other, and are indispensable (Zhang, 2014).

At present, there are several problems in the process of transferring the driving force of charitable donations of Chinese enterprises from external to internal (Zhang, 2014; Luo et al., 2015), which need to be further improved:

First, China lacks a mechanism with formal, strong credibility and can disclose corporate charity information in a regular, timely, fair and reasonable manner, and the whereabouts and use of the funds are mostly not open and transparent.

Second, China lacks government organizations that provide consulting services for enterprises. The existing organizations cannot guide enterprises to participate in philanthropy.

Third, most enterprises' participation in charitable donation is basically a short-term speculation and has not been incorporated into corporate purposes. If the product quality and service attitude of enterprises cannot keep up with it, it is not only difficult to match with foreign companies, but also difficult to profit from their participation in charity.

Fourth, public opinion has strong personal emotions, but lacks rational thinking. In the face of major natural disasters, people pay more attention to which enterprises donate and how much, rather than the enterprises' strength. Charitable donation is a long-term or short-term behavior. The consequence of this is that many enterprises donate money under the pressure of public opinion or even blindly without considering their own conditions.

3. Research method

The research, adopting the single case study method, taking ERKE's donation of 50 million to the flood area in Henan and combining it with relevant information of ERKE, including interview information of ERKE's president, information shared by ERKE's official MicroBlog, information on the company's official website, etc. , discusses why the company insists on charitable donations on the verge of bankruptcy after losing 220 million yuan and revives through charitable donations. (Sina News, 2021). The information was chosen mainly because it was a direct response within the company and was, therefore, more credible.

The reasons for adopting a single-case study in this study are:

First, compared with multiple case studies, single case studies can focus more on collecting data (Dyer & Wilkins, 1991), go vertically deeply into the practice and development process of corporate philanthropy, and help to structure abstract problems. Although many scholars have paid attention to the value and significance of corporate charity in recent years, few have extended their research perspective to the driving force of corporate charity. Therefore, when the literature is insufficient to explain and answer research questions, the best way is to use an exploratory research paradigm to summarize the theoretical framework, conceptual models, or favorable perspectives from practice.

Second, the research, taking ERKE as a study object, stems from its timeliness and its most typical characteristics. ERKE, among the enterprise charitable donations of the Henan flood that broke out in July 2021, was the only company "only favored" by national netizens for its charitable donations, and quickly returned to vitality in a short period of time, realizing the miracle of "revival", while causing a series of phenomena: it showed the warmth of the Internet virtual space, set off a publicity frenzy of domestic brands, mobilized the patriotic feelings of netizens almost across the country, and became an unprecedented phenomenal event.

4. Case description and analysis

4.1 Case review

From July 17 to 22, 2021, the largest flood ever occurred in Henan, causing 14.814 million people, 352 deaths, an area of 10.01 million mu, and a direct economic loss of 133.715 billion yuan (official notice on August 2). At the beginning of the flood outbreak, enterprises all over the country gave assistance, which is listed in Table 1. Among them, ERKE's official MicroBlog announced that they "urgently donated 50 million yuan of materials to aid the disaster area from Zhengzhou Charity Federation and One Foundation," which accidentally searched the top search list on MicroBlog and was well received by netizens: "The brand is still alive? The company is almost going down and donate so much." "Why not publicize it? I am all anxious for you." Then in the TikTok studio of ERKE, hundreds of millions of "Likes", millions of people rushed into the studio, and the fans increased from 2 million to 11 million. The goods in the studio were instantly bought out, the live sales in a single day exceeded 100 million, and even the inventory was destroyed by netizens (I-yiou, 2021).

The dialogue in the direct broadcasting room has also become a hot topic among the general public, rapidly expanding the brand influence, and becoming the most concerned and benefited enterprise among all the donated enterprises in Henan flood. As shown in Table 2.

Meanwhile, more than 7,000 physical ERKE stores across the country also suffered “looting” by buyers, making shoes difficult to buy. According to Feigua data, as of July 25,2021, all ERKE goods were out of stock. Sales on Taobao and TikTok alone exceeded 340 million in seven days.

Table 1: List of Some Enterprise Donations

| List of company | Donations |
|---------------------------------------|--|
| Alibaba + Ma Yun | 150 million, 450,000 daily necessities |
| Ant Group | 100 million |
| ByteDance | 100 million |
| Tencent | 100 million |
| Meituan | 100 million, 630,000 living materials |
| Pinduoduo | 100 million |
| Didi Chuxing | 100 million |
| Muyuan Shares | 100 million |
| Foxconn Industrial Internet Co., Ltd. | 100 million |
| Baidu | 90 million, open Henan rainstorm mutual aid channel, timely release of the flood situation |
| Xiaomi | 50 million |
| VIVO | 50 million |
| Legend Group | 50 million |
| Kuaishou | 50 million |
| OPPO | 50 million |
| Netease | 50 million |
| Vanke | 50 million |
| ANTA | 50 million |
| Taikang Insurance | 50 million, 10 emergency measures |
| Hillhouse Capital | 50 million |
| ERKE | 50 million |
| Lining | 100million+ 15 million supplies |

Note: The list is published by i-yiou. As of July 22,2021, 78 enterprises had donated donations or in other ways, for a total of more than 2.1 billion yuan.

Source: According to data released by Yiou.com

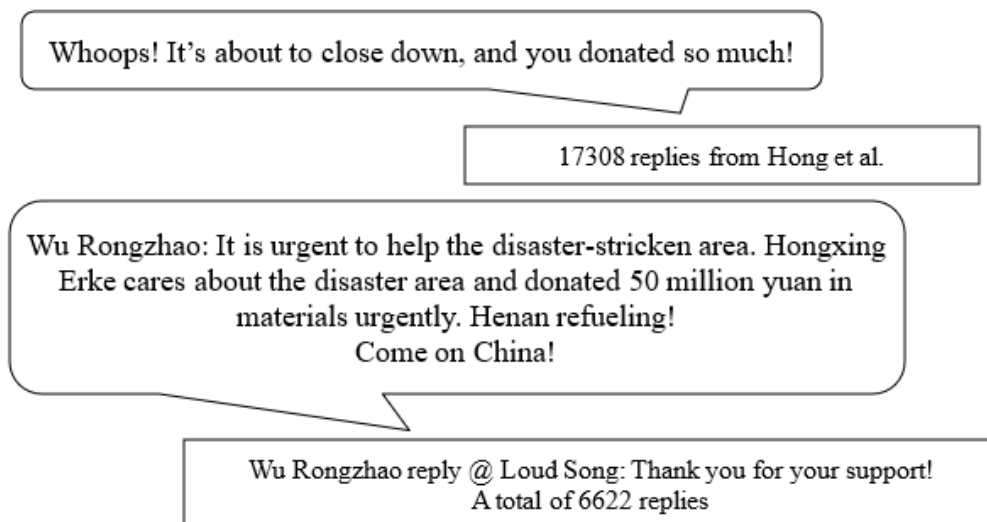
Table 2: Dialogue in the ERKE's Direct Broadcasting Room

| ERKE | Net friends |
|---|---|
| Please consume rationally | I advise you to "mind your own business". meddles; |
| Please do not take the impulse, buy it when you really need | I am happy to "wild" |
| This pair of shoes is 249 | I am a centipede. |
| This pair of slippers is 69 | Take out your most expensive shoes! |
| We present the freight insurance; the wrong size can be refunded | Too cheap, I want 699 . |
| The stock is gone, the factory's sewing machines have been gone | What to retreat from? The size is wrong. That is that my feet are crooked. |
| We will send to you as soon as you place the order | If the inventory is gone, you can sell semi-finished products, after we buy it, I can sew myself; if we don't let your factory sewing machine busy, it is our netizens dereliction of duty. |
| Sorry, the shoes are sold short. | I ordered, but do not send it. |
| Compatriots have trouble, we should donate, we should not be too moved. | Then the winter clothes, down jacket, I turn on the air conditioning to wear. |
| Our products have previously had cold sales, thank you for your support, we can finally be proud! | Supporting domestic goods is also appropriate. |
| | Do you know why ERKE's shoes can't be sold? Because I bought a pair of shoes and wear them for 10 years, can you reduce the quality of your shoes? |

Source: According to the video conversation in Erke's Douyin live broadcast.

Figure 1: Netizens' MicroBlog Comments

222,000 forwarding and 264,000 comments



Note: Netizen's comments on ERKE's official Weibo account. Chairman Wu Rongzhao's chat and interaction with netizens received 9.02 million thumbs up support.

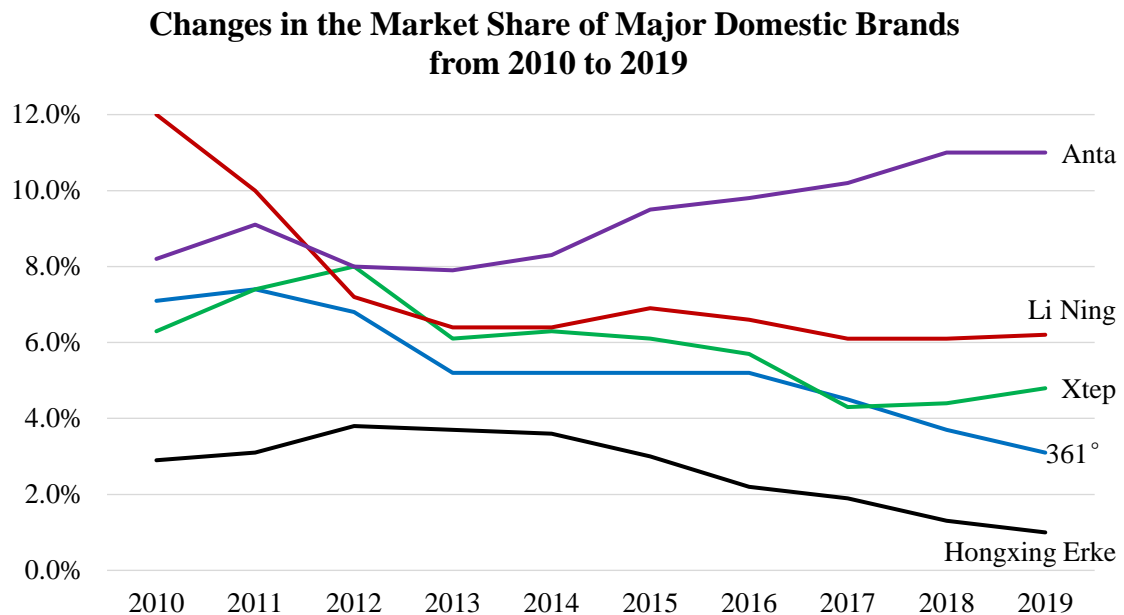
Source: Erke Official Weibo

4.2 Company description

ERKE, founded in 2000, formerly ERKE Shoes Factory, is a sportswear enterprise focusing on young people, including sports shoes, sportswear, and other products. The company started its business with negative assets, carrying more than 10 million in debt. At the beginning of its business, the sports shoe market was basically occupied by Anta, Tetep, and other brands. In the five years of 2004-2008, the company developed rapidly, listed in Singapore, became Singapore's first shoe stock, and revenue soared from 670 million to 2.889 billion, maintaining an annual growth rate of 30%-56%. However, since the second half of 2007, the company has been surpassed by competitor Anta, briefly creating a historical peak in 2008. The revenue fell more than 30% in 2009, the loss of more than 1.6 billion in 2011 due to financial problems were suspended in 2011, 2012-2014. There was a fire in the company's factory in 2015 which nearly half of the production facilities burned. According to Euromonitor data, the company's municipal share fell to the lowest in 2019, down 65.5%, with an average annual loss of about 400 million. It was forced into delisting by the Singapore Exchange in 2020 due to financial fraud and other problems. When it announced its support in July 2021 for the Henan flood, the company was at a loss of 220 million yuan.

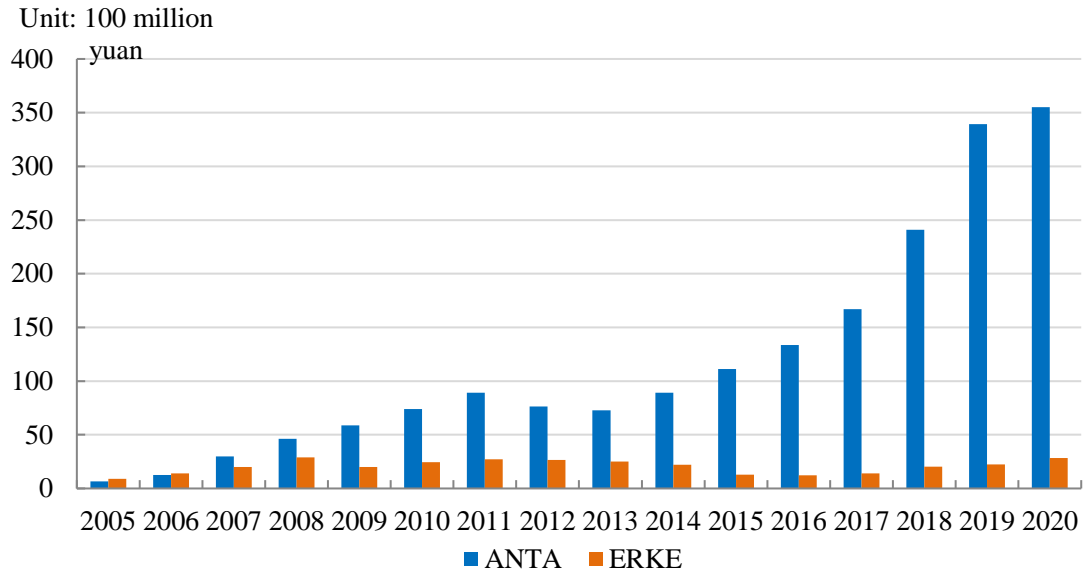
In contrast, brands such as Anta and Li Ning in the same industry have achieved revenue growth in the past 10 years. In 2020, Anta's revenue was HKD 33.5 billion, with a market value exceeding HKD 500 billion. Li Ning also has a market cap of over HKD 200 billion. In the first half of the year, ERKE's cash and equivalents were only HKD 890,000, a consecutive loss of ten years (Financial report, 2021).

Figure 2: Tendency Chart of the Market Share Ratio of Major Domestic Sports Brands in 2010-2019



Source: Euromonitor

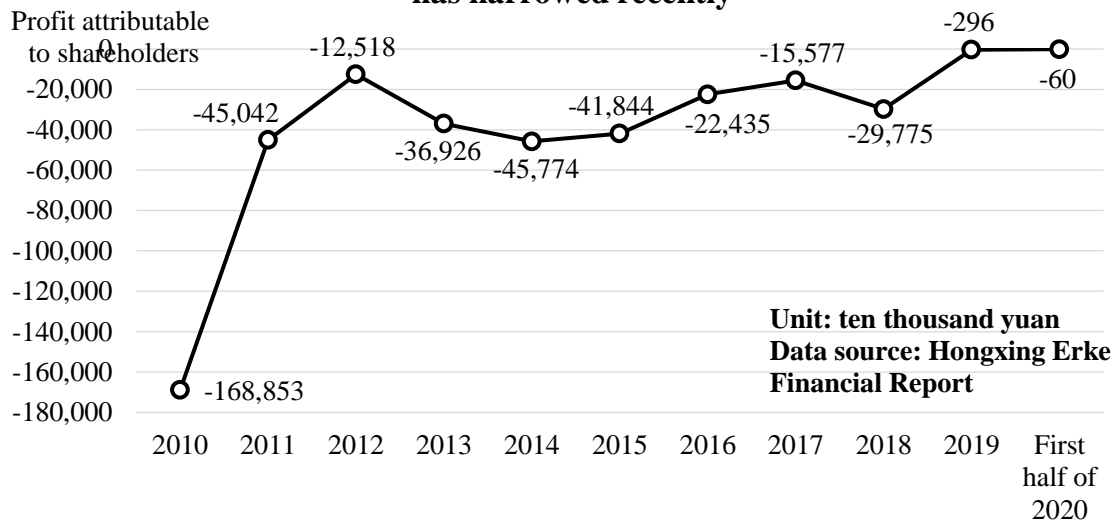
Figure 3: Financial Report Public Information of ANTA and ERKE



Source: Euromonitor

Figure 4: Chart of ERKE's Loss in Consecutive Years

Hongxing Erke has been losing money year after year, but it has narrowed recently



Source: The company's announcement, collated by Qianzhan Industry Research Institute

After ten years of loss, ERKE has been insisting on charitable donations, donating more than 300 million yuan over ten years.

Table 3: ERKE's Donations Over the Years

| Year | Donations |
|------|--|
| 2008 | ERKE donated 6 million yuan and materials to the Fujian Red Cross Society for earthquake relief. |
| 2012 | ERKE donated 25 million valuable clothes to poor disabled people in Fujian and their counterparts in Tibet and Xinjiang. |
| 2013 | Together with the Fujian Disabled Persons' Federation Foundation, ERKE donated more than 25 million materials to the families of poor disabled people. |
| 2018 | ERKE donated 60 million materials to Fujian Foundation for the Disabled. |
| 2019 | ERKE donated 100 million to the China Disabled Persons' Federation. |
| 2020 | ERKE donated 10 million supplies to Wuhan and 100 million supplies to the China Disabled Persons' Federation to help the disabled. |
| 2021 | ERKE donated 50 million supplies to the disaster-stricken areas of Henan and 20 million supplies to Shanxi. |

Note: data according to ERKE's official MicroBlog materials.

Source: The data comes from the collation of Qianzhan Industry Research Institute

5. Analysis

To some extent, donations can prove the economic strength of an enterprise. Chinese enterprise charity donations are mainly given priority to with donations (Chen, 2019). As can be seen from Table 1 and Table 3, ERKE's donation way is given priority to with materials, and the donation amount is only in the middle among many corporate charitable donations, but why can it gain the "only pet" of netizens?

In many enterprises' charity donation, the donation amount is only in the middle. Why can the company get netizens "favourite"? This study, combining news materials, official microblogs, official websites, executive interviews, and other data, summarizes as follows:

ERKE's charitable donation is not an unplanned, transient behavior but a planned, purposeful, long-term charity act, which is a strategic charity act. The so-called "strategic charity" refers to the behavior of donating enterprise resources to non-commercial insurance and social affairs to improve the strategic position of enterprises and eventually increase the enterprise surplus (Saiia, 2003). In fact, many scholars have discussed strategic philanthropy: the use of charitable donations can strategically create reputable capital, thus strengthening their market position (Forn Brun, 1996); reduce the contradiction between donor enterprises and shareholders; improve the discourse power in the negotiation of the host government; charge premium prices on the products produced by enterprises; and reduce the capital cost of the enterprise (Gardberg & Forn Brun, 2006). Through corporate charity, we can increase consumer brand awareness; improve consumers' attitude towards enterprises; and then achieve the purpose of improving the market status of enterprises; have a positive impact on enterprise sales; and improve the profitability of enterprises (Smith, 1994; Campbell et al., 1999).

Meanwhile, ERKE Group focused on "project" charity, such as poverty alleviation for the disabled and earthquake relief. Therefore, compared with short-term charity speculation, ERKE's long-term charity behavior is more likely to be considered its corporate purpose. Without considering its own conditions, it unswervingly adheres to charity, and should make the last charity donation, which is easy to label as a "conscience enterprise." As a result, when the public learned that it was about to go bankrupt, the public, instead of questioning its show, instantly ignited sympathy and realized a timely "assistance" scene.

Additionally, the timelines of the donation and donation amount affect the society's judgement of whether the enterprise charity behavior is a last resort or an expression of real will (Pattern, 2008). That is to say, enterprises that provide large donations to disaster areas tend to be more easily considered a sign of real willingness, while relatively few donations may be seen as a forced act. Therefore, the larger the donation amount, the greater the market responds to the company's announcement, and vice versa.

ERKE immediately at the outbreak of the Henan flood, announced the donation of 50 million material rescue, showing quick reflexes, and 50 million was undoubtedly astronomical relative to its financial situation on the verge of collapse. Although many enterprises such as Alibaba have donated far more than 100 million yuan, the significance and value of 50 million is not less than 100 million, and, even in a sense, can reflect corporate social responsibility from the perspective of the enterprise itself.

Moreover, why is ERKE, on the verge of bankruptcy, still donating 50 million tons of materials? As a private enterprise, doing so is not only to burn their bridges, but also to have a mentality of gambling. China's capitalist market is more government-controlled enterprises that have a father-son relationship with the government and do not need to increase their discourse with the government negotiations so as to reduce the cost of capital. However, most private enterprises do not get such benefits, so they can only try their best to be strong and save themselves. In order to survive, they must not only actively donate to attract the attention of the government and then obtain certain social resources, but they also require a large amount of donations to prove their sincerity (Song & Wang, 2010; Wang & Pan, 2011). Therefore, although 50 million donations are a strategic behavior for ERKE to survive, the risk of doing so is also great, so their true charitable donation will not be denied.

Furthermore ERKE works with charitable organizations or government departments and actively participates in the management after donation while trying to attract as much media cooperation as possible. ERKE's donations over the years show that its donated funds or supplies, in cooperation with charities or government departments, rarely act alone from these departments. In addition, the company has tracked and managed the whereabouts and use of materials donated. The transparent announcement through the official MicroBlog can both maximize the benefits of charitable donations and resist sudden public questions.

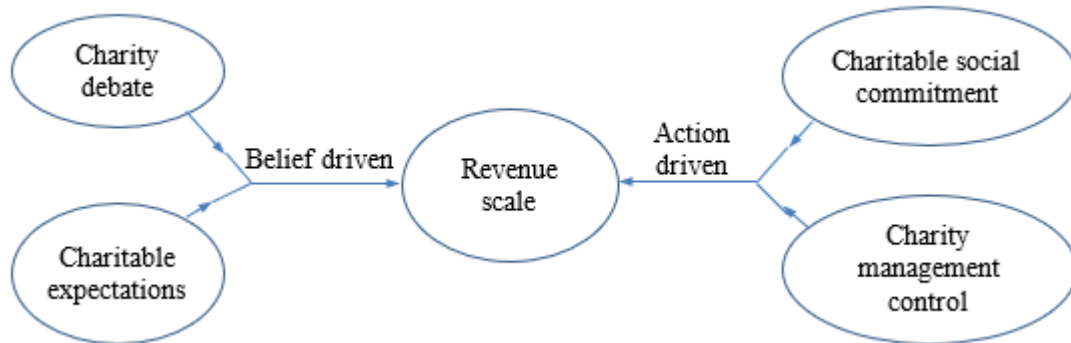
After the official announcement of the 50 million donation, ERKE was indeed questioned by the "fraudulent donations" of some "We-Media". "How did ERKE, who donated 200,000 bottles of ice-dew mineral water, donate 50 million materials"? But on July 25, 2021, Zhengzhou Charity Federation announced their response. The fund-raising department signed a donation agreement of 30 million yuan with the subsidiary of ERKE. At present, 1 million yuan has been paid, and 29 million yuan of materials need to be delivered in batches. Meanwhile, One Foundation also responded that as of 22 o'clock on 24 month?, the first batch of more than 200,000 bottled water had been delivered to the disaster area. The official response naturally attracted much media attention and quickly eliminated public doubts (Liaoshen Evening News, 2021).

Therefore, it can be said that the operation of the charity mechanism in the interaction between enterprises and the public and the government not only solves the needs of the recipients but also helps the enterprises obtain the value return of the charity for the benefit of the government, the public, and the recipients.

Besides, ERKE's corporate charity behavior is not from the constraints and norms of the government, the market, or the public, but from spontaneous behavior, so it is more reflected as an internal driver. Mai et al. (2017) believed that the common drivers of

corporate charity development must include four aspects: charity debate, charity expectations, charity social commitment, and charity management control. As shown in Figure 5.

Figure 5: Theoretical Model for the Internal Driving Factors of Corporate Philanthropy



Source: Collated from a paper by Mai et al. (2017) on the internal drivers of corporate philanthropy

According to the theoretical model of internal driving factors of corporate charity, ERKE's corporate charity behavior is a spontaneous behavior with an internal driving factor. The reasons are as follows:

1) Charity debate represents the attitude of enterprise toward charity, and charity expectation represents the desire of enterprise to practice charity. The interplay between of these two driving factors determines the adjustment and transformation of the corporate charity decision-making direction, which is the focus and strategy of corporate charity decision-making (Mai Sheng et al., 2017). Judging from the charity debate, ERKE was on the verge of bankruptcy, but when it was "difficult to protect itself", it took the initiative to donate 50 million yuan to the disaster area, which was completely a spontaneous act, rather than a government or social compulsion. It can be seen that the purpose of ERKE's adherence to charity is not to "beautify the image", but to transform the economic goal of the enterprise into the responsibility goal; ERKE defines its own charity expectation, under the guidance of a responsibility goal, and the charity expectation drives the enterprise to respond to social assistance needs and make the last charity for society.

2) Charity commitment is the expression of social value of corporate charity activities, and charity management control is the primary management method used for corporate charity activities. The interaction between them drives the changes in corporate charity initiatives (Mai et al., 2017). From the perspective of charity commitment, the last charity act of an enterprise conveys the value of "good deeds" to society, thus winning the recognition of society. From the perspective of charity management control, ERKE started its business in the early stage, reached its glory in the middle stage, and then went on the verge of bankruptcy. From the initial beautification of the corporate image, to fulfilling its social responsibilities, and then insisting on charity every year, ERKE never gave up, even if it was on the verge of bankruptcy. The whole process reflects that the enterprise treats charity with the vision of "sustainable" development and takes it as a part of enterprise strategy, realizing the unity of stakeholders' demands and enterprise development goals, establishing an effective internal management system of the enterprise, which reflects a dynamic internal driving mechanism, that is, the evolution characteristics of corporate charity from charity germination to social response, and from social response to strategic charity.

3) Zhang (2014) believes that reasonable disclosure and quality assurance complement each other, meeting the condition that the driving force of corporate charity is shifted from outside to inside. It is no doubt that ERKE's products are of high quality (as shown in the dialog box), and the reason why it was reasonably disclosed is that it still insisted on charity behavior when it was facing bankruptcy. This kind of long-term charity (Table 3) and the charitable spirit of "sticking to the last minute and never giving up" reflect its internal driving force for charity. When it happens to meet a special opportunity, it will undoubtedly burst into dazzling light and be quickly accepted by the public.

Table 4: A conversation between netizens and Chairman

| Net friends | Wu Rongzhao, President of ERKE |
|---|--|
| I always think your shoes don't sell because of "quality" issues. For example, the gift I received in 2007 was a pair of ERKE's sneakers, which sold for 398 yuan. I wore them from senior one to sophomore year, and then my dad took over as walking shoes and driving shoes. It is now 2021, and the shoes are still in my dad's car. Except for years long, shoes have no shape, but glue are not opened, do you know such "outrageous" ? | To some extent, what you say is also a fact. However, if you have been engaged in this industry for so many years, it is absolutely impossible to give concessions in product quality. The longer the brand, the more afraid to live up to the expectations of users. It may be the fate of a shoemaker. |
| ... | |
| ... | |

Note: the conversation came from ERKE president's MicroBlog comment.

Source: Official Weibo of Wu Rongzhao, Chairman of Erke

4) Among the research on many driving factors of corporate charity, institutional theory and stakeholder theory think that corporate charity comes from observing and obeying relevant norms of corporate social responsibility, emphasizing the influence of the external institutional environment on corporate charity (Li, 2014). However, Basu and Palazzo (2009) thought that the choice and decision-making of an enterprise's social responsibility activities mainly come from the internal institutional determinants of the enterprise's "embedded in the mental framework and meaning construction process of corporate social responsibility". In this research, ERKE is on the verge of bankruptcy, showing that it obviously will not be forced by the external environment, and its charitable behavior is most likely spontaneous. Therefore, its charitable behavior reflects more of an internal driving factor.

In addition, ERKE lays emphasis on public opinion and personal emotional subjectivity. The public has strong personal emotions towards charitable donations to enterprises and sometimes lacks rational thinking. On the occasion of a personalized online situation, the public is more likely to respond and form an unstoppable situation. In particular, public emotions are easier to mobilize in special events, and their subjectivity is also more pronounced. In 2008, Wang Shi's supplementary donation of 100 million yuan did not only get public support but also seriously removed the corporate image from the shelves. The reason was that its income and donation expenditure were too far apart, challenging public sentiment and leading to consistent public condemnation. This power is enormous. ERKE was the opposite, and also took a roundabout strategy in the early stages of some media doubts to fitly deal with public opinion and gain the sympathy and understanding of a lot of netizens.

Meanwhile, ERKE creates a "national brand" banner in enterprise publicity, which makes it easier to stimulate public patriotism and then get public support, which reflects the value of its corporate purpose.

To sum up, changing the corporate donation driving force mechanism from outside to inside, and taking charity as the true manifestation of corporate social responsibility, can be apt to improve the strategic value of enterprises.

6. Discussions and Suggestions

Under the background of relatively lagging behind in Chinese philanthropy, the responsibility of enterprises for charitable donations has not been fully mobilized, and Chinese enterprises are generally not active in fulfilling their social responsibilities (Zhang, 2014). Only in the face of major natural disasters can the power of corporate charity show a blowout trend. This is both a good opportunity for companies to build up a reputation and a social responsibility that they must assume. As it turns out, the charitable donation behavior presented by enterprises in the face of natural disasters, determining the market recognition of the enterprise, shaping the image of the enterprise, and enhancing the social reputation of the enterprise, more or less determines the future development fate of the enterprise. ERKE's is the most typical case among them.

The research, taking the flood outbreak in Henan in July 2021 as the background, discusses the fundamental reasons why ERKE donated 50 million materials on the verge of bankruptcy, which accidentally revived the enterprise. The analysis of the connotation of enterprise charitable behavior, market response, the charitable environment of the enterprise, and the driving factors of enterprise charitable donation, the mechanism of the driving force of enterprise charitable donation from outside to inside is very important. Corporate charitable donations can increase corporate value only when seen as a true expression of corporate social responsibility, a conclusion similar to Godfrey's (2005) corporate strategic values.

The innovation in this study, reflecting on taking the most representative typical case, further discusses the differences of corporate charity behavior in the same institutional environment and proves the importance of corporate charity donation with the practical results of ERKE, as well as provides a theoretical and practical reference for promoting the sustainable development of corporate charity and the strategic development of corporate strategy.

The significance of this study is that, it enables more Chinese enterprises to see the power of charity, to change their backward view of charity, and to realize that only by combining corporate charity with enterprise development and having a correct strategic view of charity can we achieve a win-win situation between enterprise and society.

The inadequacy of this study is that although the single-case analysis may state the importance of the internal drivers of corporate philanthropy, it may yield deeper and more enlightening theoretical findings for further "abstraction" by using more case studies. Meanwhile, the study's object is a private enterprise. Whether it applies to state-owned enterprises also needs to be further verified.

The suggestions for this study are:

First, entrepreneurs should change their philanthropic mindset. In the past, Chinese entrepreneurs did not dare to do good deeds. They were always influenced by traditional Confucianism and carried forward the spirit of "doing good deeds without leaving a name." But this spirit of charity is inadequate. Entrepreneurs should actively implement strategic charitable donation. The enterprise charitable donation whether to benefiting organizations or individual charitable behavior, emphasizes the link between enterprise charity and enterprise business behavior. This behavior is compatible with the

interests of enterprises and related stakeholders, namely "doing good works can be rewarded", "do better by doing good works". Even if the enterprise does not obtain tangible and clear exchange value, it can obtain more intangible strategic assets from charitable behavior, such as reputation capital, employee commitment, trust, government support, improvement and development of the business environment and institutional environment, etc. We should enhance the motivation of corporate charity, combine the interests of enterprises and the public with it, and take a win-win situation as the main goal.

Second, meanwhile, enterprises should also pay attention to weakening their business motivation. In the special environment of China, if enterprises make too much commercial considerations when fulfilling their social responsibilities, it will only affect the image and reputation of the enterprise, greatly reducing its image in the minds of consumers. For example, some enterprises do charity while not forgetting to belittle other industries, which is easy to make people disgusted and suspect that their charity motives are impure.

Third, adhere to the sustainability and flexibility of charity as EREK. If enterprises only make charitable donations during natural disasters and are never enthusiastic about charity and do not set up corresponding charitable departments or projects within the company, then the sudden charitable donation is easy to cause public doubts. The most important reason why ERKE still insisted on charitable donations despite being questioned by the public on the verge of bankruptcy is that the company has been working for charity for years, which makes it easy to be popular. Meanwhile, persistence requires enterprises not to blindly give, but to economize to avoid running short. Enterprises have corresponding charitable behaviors according to their own characteristics. If the enterprise has strong strength and makes less money, or its own strength is weak but has huge donations, it is easy to be questioned, giving people a bad impression of mismatch.

Fourth, enterprises should actively participate in the management of the donation and make reasonable disclosure. At present, most charitable donations from Chinese enterprises donate funds or materials to civil affairs departments or charities, thus completing the whole process of donation. However, there is too little tracking management of the whereabouts and use of charitable donations and the opaque charity accounts of relevant institutions, so it is easy to worry about the reasonable use of donations or materials and whether they are used in place. This phenomenon reflects that many enterprises still lack corporate charitable concept construction, so it must be improved, that is, to strengthen the later management of charitable donation. Meanwhile, the reasonable disclosure of their donations by enterprises can not only be recognized by the public but also improve the marketing environment of enterprises to a certain extent and provide an environmental guarantee for the sustainable development of enterprises.

Fifth, the ultimate purpose of corporate charity is not only to help people but also to self-help. But the premise is to ensure the quality of good products and services. Although ERKE has faced the crisis of bankruptcy, it has such a guarantee that EREK can grasp the opportunity to change its fate at the critical moment.

Sixth, at present, the form of Chinese corporate charity is still too simple, mainly funds and materials. Despite what large charitable donations look more convincing, they may not be enough to be "affordable". For example, in Henan flood, residents in the disaster areas did not need money but daily necessities, such as drugs, umbrellas, rain shoes, food, drinks, flashlights, quilts, etc. While more enterprises donated, these "urgent" donations were few in the announced corporate charitable donations. As a result, the form of charity still needs to be further improved.

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