

## Reasons for Philanthropic Belief Formation: A Case Study of Chinese Entrepreneurs

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### Abstract

The purpose of this study is to explore how the philanthropic belief is formed for those entrepreneurs who are keen on philanthropy under the special national conditions of failure of tax laws to provide incentives for philanthropy, low public trust in philanthropy and lack of philanthropic culture. In this study, 14 charitable in 14 cities of 12 provinces in China were in-depth interviewed. Through constant analysis of the data, it was found that entrepreneurs who were keen on philanthropy had the following attributes: holding concurrent political posts, goodness-oriented personality traits, and insights into philanthropy. These 3 attributes facilitated the formation of their philanthropic beliefs. It was philanthropic beliefs that contributed to proactive philanthropic behaviors of entrepreneurs, while those without philanthropic beliefs neglected philanthropic behaviors. This study contradicts the perspective frequently used in the previous studies, which means that entrepreneurs' philanthropy focuses on the perspective of "self-interest" motivations, such as seeking economic motivation or obtaining political resources; instead, it contributes to a deep understanding of the authentic motivations and influencing factors behind charitable donations of entrepreneurs. Therefore, it shows certain theoretical innovations. It also provides important theoretical guidance and practical significance to promote the sound development of corporate philanthropy.

**Keywords:** Corporate Philanthropy, Philanthropic Belief, Political Posts, Personality Traits, Insights into Philanthropy

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## Introduction

The international academic community defines charitable donations as: an enterprise unconditionally provides funds or materials to the government or related institutions in a non-reciprocal manner (Kang and Wang, 2018). At present, corporate charitable donations are the main force of philanthropy in China. The philanthropic activities of enterprises are closely related to entrepreneurs, the consciousness of the top executives in social assistance will affect the social assistance behaviors of an enterprise (Xie and Ding, 2015). The more compassionate the corporate executives are, the more inclined the enterprise is to charitable donations (Sun, 2016). However, most private entrepreneurs in China do not have philanthropic beliefs, they are not keen on philanthropy (Ding, 201).

Compared with the developed philanthropy in Western countries, Chinese corporate philanthropy has been lagging behind. Corporate philanthropy in Western countries has emerged and developed rapidly over 30 years ago, and philanthropic feats of the "rich" are common. For example, such well-known entrepreneurs and philanthropists as Andrew Carnegie, John and Bill Gates initiated the model of philanthropic foundation to share their wealth with more people (Wang, 2010).

The reason why Western corporate philanthropy prevails is that under the Western capitalist system, corporate philanthropy is closely integrated with the interests of the companies from the beginning. And charitable donations can be used as a legal means to evade taxation (Chen et al., 2015); in contrast, lagging philanthropy, imperfect market and institutional systems and lack of philanthropic culture restricted the development of corporate philanthropy. For example, corresponding tax relief for philanthropy is a common practice in all countries of the world and a decisive factor for the growth of modern philanthropy, but the 12% pre-tax deduction rate for enterprise donations in China as stipulated in Enterprise Income Tax Law of People's Republic of China is significantly lower than the rates in the Western countries (35% in Spain, 65% in Russia and 75% in Canada). And the procedures for application is cumbersome. Thus many entrepreneurs are discouraged from philanthropy (Song, 2018).

At present, the status of charitable donations by enterprises is quite different from the actual needs (Yuan and Gao, 2009). However, there are still some entrepreneurs who have philanthropic beliefs and are keen on philanthropy. So how did their philanthropic beliefs come about?

Current studies on philanthropy started late due to the late start of China's philanthropy and require expansion. And there is a large gap in empirical research in particular (Lu, Wu and Zheng, 2016). Therefore, this study applies Grounded Theory to explore answers to this question through face-to-face in-depth interviews with 14 charitable in 14 cities of 12 provinces in China.

This study contributes to a deep understanding of the authentic motivations and influencing factors behind charitable donations of entrepreneurs, it showed certain theoretical innovation, and it provides theoretical guidance and practical significance to promote the development of philanthropy.

## Research Objective

1. Understand the special national conditions of China and the reasons why most entrepreneurs do not do charity;
2. Explore how the philanthropic beliefs of those entrepreneurs who are still keen on philanthropy are formed under this special national situation. Specifically: 1) Constantly conceptualize, classify, reorganize, and summarize the original data, establish logical relationships, and form a new theoretical framework diagram; 2) Combine interview data to further explain the framework diagram to enhance reliability and validity.

## Literature Review

There are many problems with charitable donations in China, having summarized the previous literature, the researcher found that these problems were caused by the following three reasons.

### 1. Failure of tax laws to provide incentives for Philanthropy

Song (2018) believes that corporate donations must go through non-profit charities. However, China sets too high qualification threshold for tax exemption for charities. As a result, there are not so many non-profit organizations in the private sector and they are not enthusiastic enough. Most of them cannot enjoy the tax exemption policy even if they pass the registration and identification of civil affairs departments. Kong and Li (2018). believe that entrepreneurs are discouraged from giving donations as in-kind donations cannot be assessed and thus they cannot enjoy preferential tax policy according to Chinese tax law. According to Zhang and Hu (2012), enterprises giving direct donations cannot enjoy preferential tax. This single mode of policy has resulted in the “second taxation” and reduced the donation enthusiasm of enterprises. Guo (2014) believes that the operating time of tax incentives for charitable donations is relatively short and harsh.

### 2. Lack of philanthropic culture

Although China has been advocating benevolence and poverty alleviation since ancient times, overall, China’s philanthropic culture does not develop very well. Most of the enterprises do not focus on the concept of philanthropy and the corporate social responsibility and are less enthusiastic about, or even avoid, philanthropic activities (Xu and Xie, 2014).

In particular, China is currently in a transition period and has not yet formed a benign philanthropic cultural atmosphere. The government does not pay much attention to publicity for philanthropy. Having been developed historically, there are still some harmful ideas such as "hatred of the rich" and "robbing of the rich" in the society. In order to pursue selling points, some media are very enthusiastic about publicizing "the heartless rich" among Chinese entrepreneurs. This has created the "expiation" motivation on corporate donations and makes it difficult for corporate charitable donations to receive due praise (Xiao, 2011). Some people have doubts about corporate philanthropy and think they have a purpose (Fu et al., 2007).

Chinese culture has always emphasized that "Wealth should be hidden". Many wealthy people regard charitable donations as exposure of their wealth. This backward and narrow conception is not conducive to enterprises' participation in philanthropy (Xu and Xie, 2014). Entrepreneur Chen Guangbiao engaged in the business of renewable resources is high-profile in philanthropy throughout his life. During the Wenchuan earthquake, he contributed money and exerted himself for disaster relief at first time of the disaster. He also visited overseas countries. He was enthusiastic about doing good in Japan and Taiwan and has donated RMB 1 billion yuan. But some domestic media and experts sharply criticized his "high-profile good deeds" as "violent good deeds" and "shows", and even ridiculed him as a "malefactor" (Zhou, 2013).

### 3. Low public trust in philanthropy

Due to the lack of transparency in using charitable donations in China and the low capacity to attract charitable funds, the charitable donations of enterprises often disappear without a trace (Sun and Wang, 2013). As of January 2020, the outbreak of the COVID-19 in China created a rare crisis in the country. Many private entrepreneurs purchased and initiatively donated face masks, but hundreds of thousands of face masks purchased in Chongqing and other places were forcibly expropriated by locals when being transported through Dali of Yunnan Province (ifeng.com, 2020). And even part of the face masks was privately seized by some government officials and sold at high prices (Sina Finance, 2020). On one hand, China does not have statutory provisions on charitable activities and lacks supervision; on the other hand, entrepreneurs "stay away" from charitable donations due to the inferiority of some governmental personnel.

With the increasing gap between the rich and the poor in society, the "Matthew effect" of class differentiation shows that "the poor are poorer and the rich are richer", which directly leads to social contradictions in China. It is not practical to completely count on the effort of national financial support in poverty alleviation, as not only is the cost too high, but the regional development is also uneven, making it more difficult to implement. Therefore, the Chinese government has gradually diversified the ways of charitable donations from the way of giving direct

donating aid to the “weak” in the past, and the role of corporate charitable donations is becoming more and more important (Zheng, 2013) .

To sum up, in most of the current academic studies on charitable donations of private enterprises in China, it is believed that charitable donations by private enterprises are based on economic motivation and negative motivations (Pan et al., 2017), which will reduce the enthusiasm of corporate charitable donations and is not conducive to the development of philanthropy (Margolis et al., 2001). But under the special national conditions of China, there are still some entrepreneurs with philanthropic belief who are enthusiastic about philanthropic behaviors. For example, "The King of Glass" Cao Dewang has so far donated more than RMB 12 billion yuan (Sina Finance, 2020). Therefore, the purpose of this study is using the grounded theory to explore how such charitable entrepreneurs form their philanthropic beliefs and will take this as a model, making up for the theoretical gap, and contributing to social practice.

## Research Methodology

### Sample

This study collects samples based on judgmental sampling. Judgmental sampling, also known as "purposive sampling", refers to a sampling method that the researcher selects the most representative units from the sample members based on the subjective experience and judgement of the researcher. The researcher is familiar with the interviewees, knowing that they are all private entrepreneurs with independent management rights, and all engage in philanthropy. In this case, they were selected because of their philanthropic behaviors.

In this study, 14 charitable in 14 cities of 12 provinces in China were deeply interviewed. The partial list is as follows:

Table 1 Partial List of Charitable Entrepreneurs

Name	Industry	Company Scale	Company Position	Social dutie	Personal honor	Donations	Area	Age	CPC	Gender
Mr. Jiang	Technology Software	Large	General manager	Deputy Secretary of Jiangzhou Chamber of Commerce, Jiangzhou Youth Committee	Advanced Individual of Jiangzhou Municipal Party Committee	He joined the Fuzhou charity organization and followed the organization to make regular donations every year, mainly to help people in poverty-stricken areas and send them daily necessities;	Fujian	42	Yes	Male
Mr. Sun	"Goat's Milk" Food	Large	chairman	President of Luoyang Charity Association	City public welfare charity advanced representative	He holds a large-scale charity event in Luoyang every year to bring all employees and people from all sessions of the company to raise donations; to provide scholarships for poor children;	Luoyang	45	No	Male
Mrs. Zhou	Art education	Small	chairman	Charity promoter	“Good people in Xuzhou”	She donates regularly every year to help the disabled children and poor households in this city;	Shandong	43	Yes	Female

### Data Collection

This study applies the qualitative method with multiple case study. Using multiple case studies can help a researcher understand and master all aspects of the case more comprehensively, make the theoretical foundation more complete, and improve the reliability and effectiveness of the research (Yin, 2002).

The researcher went to the practice units with a rough research topic, and conducted face-to-face in-depth interviews with the interviewees. Before each interview, the researcher communicates with the respondent in advance, agrees on the time and place of the interview, and informs the rough theme of the interview: entrepreneur, company development, philanthropy. The researcher only gives proper guidance, and seeks consent for on-site recording and minute taking in order to allow the interviewee to speak freely according to the subject.

The advantage of face-to-face in-depth interviews is that in addition to being able to listen to and record the original statements of interviewees in a timely manner, the researcher can also observe their external expressions up close through participatory observation, gained insights into

their internal psychology, judged the truthfulness of their speech, and effectively adjusted the content and focus of the interview in a timely manner during the interaction, and based on participant observation, the researcher acquired feelings in specific situations and understood the interviewees more comprehensively to get corresponding data and experience.

The in-depth interviews began from collection of data in September 2018 and ended in October 2019. It takes at least 3-5 days to interview each interviewee. And some took longer time. For example, the researcher spent two and a half months to interview Fan Jianchuan. The purpose is to understand the status of their engagement in philanthropy in detail, such as how much money has been donated so far, how often and how they donate.

After encoding the interview data through continuous analytic induction, these entrepreneurs were identified as interviewees.

### Data Analysis

Based on grounded theory, this study explores how the entrepreneurs who are enthusiastic about philanthropic behaviors have formed their philanthropic belief under the current special national conditions in China. Through constant analysis of the data, find the core content or key influencing factors of the research problem, develop the storyline, and finally form a new theory.

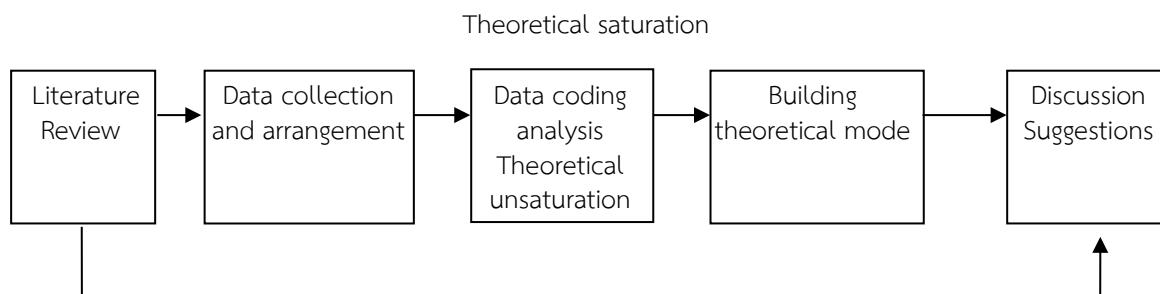


Figure 1 The flow chart of grounded theory

### Findings

1. Conceptualize the original sentence, and form the main category and the sub-category by constantly comparing the same attributes and different attributes, further the core categories of the Y-type entrepreneurs are refined. The story line is then developed among categories, a logical relationship is established, and a new theoretical model is ultimately formed.

**Table 2** Data analysis process

Data analysis process					
Original statement	Conceptualization	Category	Main category	Core category	Logicalrelation
y	Y	AA	B	C	E

First, the researcher initially conceptualized the original data through word-by-word analysis. In order to reduce the bias of data interpretation, the interviewees' original statements were used to the greatest extent to mine the initial concepts. And then those sentences occurring less than twice were removed, those occurring more than 3 times were reserved. The results show that 211 main concepts were extracted, with 71 categories. As shown in Table 3:

**Table 3** Conceptualization of raw data (partial tables)

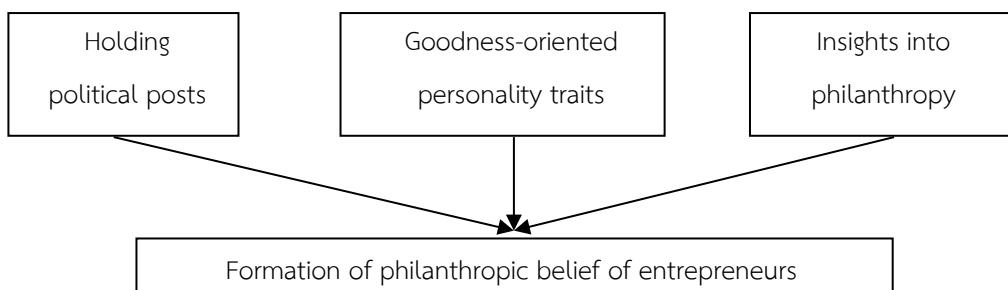
Original data sentences	Conceptualization	Category
1. The clothing company registered under the nickname of my wife. y13	Y1 Conjugal love	AA1 Harmonious family
2. I go home and tell my husband that I don't want to do the job, my husband said, nothing, I raise you! y7		
3. After that, I joined the property management company, and the communication company was handed over to my wife, who has always been my right-hand man. Y11		

Secondly, through the re-clustering and composition of the 71 categories, 12 main categories were finally formed, As shown in Table 4:

**Table 4** Partial category table

NO.	Main category	Sub-category
1	B1 Family influence	AA1 harmonious family ;AA2 Kind parents
2	B2 Social identity	AA3 Social identity
3	B3 Hard growth and rich experience	AA4 Leave one's hometown; AA5 Hard growth; AA6 Rich experience, Constant tossing and turning

It was further re-clustered and composed, and finally 5 core categories were formed, by developing story lines between categories, a logical relationship can be formed, which can clearly summarize the "reasons of formation of entrepreneurs' philanthropic beliefs," based on this, the theoretical diagram of the study is as follows:



**Figure 2** Reasons for formation of philanthropic belief of entrepreneurs

2. Combined with the original interview sentence of the interviewees, the theoretical diagram is explained as follows:

1) These entrepreneurs have held political posts, which has inspired their sense of social responsibility. This view has also been verified by predecessors. Du et al. (2009) found that the political identity and political participation of entrepreneurs have a significant impact on charitable donations.

*“As a deputy to the National People’s Congress, I must, of course, think of the interests of the entire people! y3”*

*“As a deputy secretary in Jiangzhou Chamber of Commerce, I offer help to hometown fellows or working youths in Beijing, and give them some help in life sense.y8”*

2) The core personality traits of these entrepreneurs include pursuing the purity of the soul, social responsibility, being simple and sincere, being grateful, being empathetic, being kind-hearted, valuing justice above money, and having a sense of justice. These traits represent the personality trait of "goodness". Therefore such entrepreneurs are more likely to form philanthropic belief. For example:

*“Since I was young, I felt like I was full of positive energy, full of sense of justice, and I often stand up against injustice. y13”*

*“More than 90% of the employees I employ are women. I hope that through my efforts, more rural women will go out.y14”*

3) And they have insights into philanthropy, and can see through the relationship between philanthropy and success, therefore they are more likely to have philanthropic belief. For example:

*“Working with good people is the only way to succeed. y6 “*

*“Human nature is selfish. It is impossible to force others without doing charity yourself. Only by doing charity yourself can you influence them.y12”*

In summary, these interviewees hold different Political posts, which gives them a deeper social responsibility. They have goodness-oriented personality traits and Insights into philanthropy, which makes them keen on philanthropy and aware of its role in promoting success. The interaction of these three aspects together promotes the formation of entrepreneurs' philanthropic beliefs.

## Discussion

The motivation of corporate charitable donations is the focus of many scholars. Many scholars at home and abroad have studied the causes of corporate charitable donations, including strategic motivation, political motivation, and altruistic motivation (Godfrey, 2005). However, people have overlooked that certain characteristics of individual entrepreneurs will also affect corporate charitable donations. As pointed out by the high-tier team theory, individual characteristics of entrepreneurs, including personality, values, etc., will affect their perception of the outside world, which in turn affects such corporate decisions as whether to make charitable donations or not (Hambrick, 2007). On this basis, the core issue of this study is whether corporate charitable donations are related to entrepreneurs' personal philanthropic beliefs. How do those charitable entrepreneurs form their philanthropic beliefs? Especially in the absence of relatively lagging philanthropy, imperfect market and institutional systems, and lack of philanthropic culture, their philanthropic behaviors are of practical guiding significance, it will be a good reference for the entire country and even for philanthropy in different social environments.

In this study, interviews were conducted with 14 charitable in 14 cities of 12 provinces in China. By applying the continuous analysis and induction of grounded theory, it was found that entrepreneurs keen on philanthropy hold political posts, and possess goodness-oriented personality traits and insights into philanthropy. These three attributes facilitate the formation of their philanthropic belief. It shows that with philanthropic belief such entrepreneurs are persistent in proactive philanthropic behaviors, while those without philanthropic belief neglect philanthropic behaviors.

## Suggestions

### 1. Suggestions for research utilization

Sun and Wang (2013) believe that charitable donations, as the third distribution of social wealth, have effectively filled the gap between the market and the government regulation, and have

become a weapon to balance the wealth gap and promote social stability. This study believes that if entrepreneurs lose their philanthropic belief, corporate social responsibility will be lost, and the country's philanthropy will be faced with a plight. Only when entrepreneurs combine the pursuit of economic goals and social responsibility, can they effectively realize the long-term benefits of the enterprise and create a "win-win" development with the society.

## 2. Suggestions for future research

The researcher believed that the priority for development of the corporate philanthropy is to cultivate entrepreneurs' philanthropic belief. Based on my country's national conditions, the researcher puts forward the following suggestions to the government, which can also be used as a reference for future research.

We can start from three aspects to promote the formation of entrepreneurs' philanthropic belief: provide them certain political posts, cultivate their goodness-oriented personality traits, and deepen their understanding of philanthropy. For example, use media channels to widely publicize philanthropic figures throughout the society, advocate the whole society to respect those entrepreneurs who are actively engaged in philanthropy and provide them political posts, learn from the philanthropic concept of "being proud of philanthropy" in Western countries, and form a good atmosphere for the people to be keen on philanthropy. In this way, more people can be helped to form philanthropic belief, thereby promoting further development of philanthropy.

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