Enterprise Strategy Radical Process and Charitable Donation: Taking A-share Manufacturing as an Example

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Abstract: Based on the data of listed companies in China's A-share manufacturing industry from 2008 to 2016, this paper empirically tests the relationship between corporate strategic aggressiveness and charitable donations. The results show that the more radical the company's strategy (exploration type), the more the company tends to make charitable donations, and the higher the level of charitable donations. The results show that corporate charitable donations are closely related to corporate strategy. This paper examines the motivations of charitable giving from the perspective of corporate strategy and helps to deepen our understanding of charitable donations.

1. Introduction

In recent years, China's philanthropy has developed rapidly. The participation of charitable donations in all walks of life has increased year by year. The target of charitable donations is no longer limited to public welfare donations after natural disasters, and gradually radiates to health care, environmental protection, education development and community building. . Compared with Western developed countries, personal donations are the main body. In China, enterprises are still the main donors.

Charitable donations are an important decision of the company and are closely related to the company's strategy. This article aims to examine the relationship between corporate strategy and charitable giving. Miles and Snow classifies corporate strategies based on the company's changing rate of change in its product market portfolio. There are generally three viable strategies in a particular industry: (1) "Explorer": frequent/rapid changes in product mix; (2) " Defenders: seldom/slowly changing product mix; (3) "Analyst": There are some common characteristics with explorers and defenders based on the use of technology, market, and management capabilities [1]. Bentley uses six indicators to identify the type of corporate strategy. Based on the classification method of Miles and Snow, this paper uses Bentley's indicator identification method to measure corporate strategy [2].

2. Literature review and hypothesis development

Companies that adopt an exploratory strategy are not able to understand the company's current

situation, product sales, market conditions and development prospects because of the speed/frequency of its market portfolio. It leads to blind expansion and increases the company's operating risks. The company is in trouble. Therefore, companies implementing an exploratory strategy need to adopt risk aversion measures to reduce potential losses in the business process. Ramasamy and Yeung proposed that Chinese consumers pay more attention to socially responsible companies than European and American consumers when buying goods [3]. The Creyer and Rose surveys found that consumers are willing to pay a higher price to reward ethical companies and pay a lower price to punish unscrupulous companies [4]. Brown and Dacin found that corporate social responsibility behavior changes consumer perceptions of the business, and that social responsibility behavior acts as a property similar to another product in consumer purchasing decisions, thereby affecting consumer evaluation of the product [5]. Sen and Bhattacharya also confirmed that the level of corporate social responsibility has a significant impact on consumer product evaluation [6]. As a way for enterprises to actively fulfill their social responsibilities, charitable donation is conducive to shaping the good image of enterprises, accumulating moral capital for enterprises, increasing public recognition of the company, and reducing the future business risks of enterprises. Therefore, the management of the exploration company is more motivated to actively respond to the interests of the stakeholders through charitable donations.

Based on the above analysis, hypothesis 1 and hypothesis 2 are proposed:

H1: When other conditions are the same, the more aggressive the corporate strategy, the more likely it is to make charitable donations.

H2: When other conditions are the same, the more aggressive the corporate strategy, the higher the level of charitable giving.

3. Research design

3.1 Sample selection and data source

Considering that there are large differences in the strategies of companies in different industries, it may have an impact on the conclusions of the study. The data used in this paper is from the CSMAR database and the National Bureau of Statistics.

3.2 Research model setting

In order to test the H1 and H2 proposed in the previous section, we set the regression equation to be tested as follows:

$Donation_{i,t}(Duml\_donation_{i,t})=\alpha_0+\alpha_1 Strategy_{i,t}+\alpha_2 MP_t+\alpha_3 SAi,t+\alpha_4 Indep_{i,t}+\alpha_5 Part_{i,t}+\alpha_6 Ownership_{i,t}+\alpha_7 Insti_{i,t}+\alpha_8 Soe_{i,t}+\alpha_9 Lev_{i,t}+\alpha_{10} Roa_{i,t}+\alpha_{11} Age_{i,t}+\alpha_{12} Size_{i,t}+\alpha_{13} Cfo_{i,t}+E$

Among them, $Donation_{i,t}$ and $Duml\_donation_{i,t}$ are the explanatory variables of Model 1, which represent the amount of charitable donations of company i in the t-year and whether the company i donates in the t-year. $Donation_{i,t}$ the greater the value of t, the higher the company's donation amount, $Duml\_donation_{i,t}$ when the value of 1 is 1, the charity donation is carried out on behalf of the company i in the t-year. When the value is 0, the company i has not made charitable donations in the t-year.

$Strategy_{i,t}$ is the explanatory variable of Model 1, which represents the company's corporate strategy for the t-year.

The model also controls factors that may have an impact on corporate charitable giving.

4. Empirical analysis

4.1 Descriptive statistics

Table 1 reports full sample descriptive statistics and group sample descriptive statistics for the primary variables. As can be seen from Table 1, it is preliminarily judged that companies following the exploratory strategy are more likely to conduct charity. Donate and the level of charitable donation of companies following the exploratory strategy is even higher.

Table 1 Descriptive Statistics

Variable	Full Sample(n=3608)				Strategy≥17	Strategy＜17	T-test
	Min	Max	Mean	Std. Dev	Mean	Mean	
Duml donation	0.00	1.00	0.74	0.44	0.77	0.71	0.000
Donation	0.00	8.64	4.26	2.64	4.51	4.05	0.000
Strategy	6.00	29.00	17.02	4.38	20.94	13.73	0.003
MP	0.00	1.00	0.80	0.40	0.80	0.80	0.722
SA	-4.20	-3.08	-3.68	0.18	-3.67	-3.68	0.080
Indep	0.18	0.67	0.37	0.05	0.37	0.37	0.289
Part	1.00	2.00	1.81	0.39	1.79	1.82	0.000
Ownership	10.56	92.35	51.66	14.71	52.06	51.32	0.034
Insti	0.00	72.67	6.94	10.31	7.91	6.12	0.007
Soe	0.00	1.00	0.56	0.50	0.53	0.59	0.000
Lev	0.02	12.13	0.49	0.34	0.48	0.50	0.107
Roa	-2.56	10.40	0.03	0.20	0.04	0.02	0.354
Age	4.79	26.05	14.54	4.59	14.60	14.49	0.007
Size	7.40	11.77	9.66	0.55	9.70	9.63	0.030
Cfo	-9.99	10.65	5.12	6.58	4.98	5.23	0.020

4.2 Regression analysis

Based on the model established above, regression analysis was performed using the 2012-2016 panel data as a sample. Table 2 reports the relationship between corporate strategy and charitable giving in the full sample. The results show that the more aggressive the corporate strategy and the higher the level of charitable donations, the hypothesis 1 is verified. The coefficient of the strategy and whether it is a charitable donation (Duml_Donation) is 0.094, which is significant at the 1% level, indicating that the more aggressive the corporate strategy, the more likely it is to make charitable donations and verify the hypothesis 2.

5. Conclusion

From the perspective of corporate strategy, this paper discusses the influencing factors of charitable donation by taking the sample of A-share manufacturing listed companies in China from 2008 to 2016 as a sample. The study found that the more radical the corporate strategy, the more likely corporate charity is to charitable donations, and the higher the level of charitable donations.

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Table 2 Relationship test results of corporate strategy and charitable donation

Variable	Donation		Duml_donation	
	Coef	Sig.	Coef	Sig.
Strategy	0.110***	0.000	0.094***	0.000
MP	0.002	0.908	-0.010	0.536
SA	-1.066***	0.000	-1.350***	0.000
Indep	-0.012	0.421	-0.001	0.929
Part	-0.045***	0.004	-0.046***	0.004
Ownership	-0.078***	0.000	-0.074***	0.000
Insti	-0.054***	0.001	-0.052***	0.001
Soe	-0.157***	0.000	-0.129***	0.000
Lev	0.002	0.886	0.022	0.173
Roa	0.034**	0.025	0.027*	0.093
Age	-1.130***	0.000	-1.416***	0.000
Size	0.683***	0.000	0.666***	0.000
Cfo	0.079***	0.000	0.072***	0.000
Year	Control		Control	
Observations	3608		3608	
Adjust R2	18.00%		12.20%	
F-value	61.924		39.44	