

# Study on Wahaha's Financial and Economic Effects Based on CSR

Renhan Zhang

New Channel, Taizhou, Zhejiang, 318000, China

2017281150320@whu.edu.cn

**Abstract.** This abstract examines Wahaha, a prominent food and beverage company in China, and its extensive engagement in corporate social responsibility (CSR) activities, which have contributed to its business value and societal impact. By analyzing Wahaha's CSR achievements and their implications, this research aims to offer insights for both the company itself and other enterprises. The study underscores Wahaha's success in building a positive corporate and brand image through active CSR participation, serving as a model for industry peers. Additionally, it explores the mediating role of consumers' perceived sincerity of motives in the effectiveness of CSR activities, emphasizing the importance of genuine engagement in CSR initiatives. Furthermore, the research highlights the microeconomic perspective of CSR, linking social responsibility to corporate profitability and sustainable growth. Despite Wahaha's notable CSR practices, the study identifies challenges such as strategic ambiguity, information asymmetry, and food safety concerns. Recommendations are provided to address these issues, including transparent disclosure, strategic focus, risk management, and consumer education. Overall, Wahaha's CSR endeavors offer valuable lessons for the food and beverage industry, promoting social responsibility awareness and guiding businesses toward sustainable practices.

**Keywords:** CSR, Wahaha, Finance, Benefits.

## 1. Introduction

### 1.1. Research Background

Wahaha is one of the leading food and beverage companies in China. Throughout its commercial development, it has actively participated in corporate social responsibility (CSR) activities, thereby achieving various aspects of business value.

Research on Wahaha's achievements in CSR is not only significant for Wahaha itself but also provides valuable insights and reference value for other enterprises. Wahaha has established a positive corporate image and brand image through active participation in CSR activities, setting an example for other enterprises. Other enterprises can learn from Wahaha's experience by integrating CSR into their corporate development strategies, thereby enhancing their corporate image and brand value by addressing social responsibility issues. At the same time, Wahaha has gained a competitive advantage in the market competition through CSR activities, providing other enterprises with a feasible competitive strategy. Other enterprises can emulate Wahaha's initiatives in CSR by focusing on consumer demands and social responsibility, enhancing product competitiveness, and winning market share.

### 1.2. Literature Review

Yoon's study, based on attribution and suspicion theory, reveals the crucial mediating role of consumers' perceived sincerity of motives in the effectiveness of corporate social responsibility (CSR) activities [1]. When consumers attribute CSR activities to genuine motives, these activities contribute to improving the company's image; however, when the sincerity of motives is unclear, the effects of CSR activities become less apparent; moreover, when motives are perceived as insincere, CSR activities may potentially damage the company's image. Perceived sincerity of motives is influenced by various factors, including the salience of career interests, consumers' understanding of the source of CSR, and the ratio of CSR contributions to CSR-related advertising. Of particular note is that the

high salience of career interests may lead to a reverse effect, especially when consumers learn about it through company channels. However, this reverse effect can be overcome by spending more on CSR activities than on CSR-related advertising. Therefore, companies should focus on conveying the sincerity of motives when engaging in CSR activities to enhance their effectiveness and protect their corporate image.

Carrasco emphasizes the importance of corporate social responsibility (CSR) from a microeconomic perspective. It points out that the connection between social responsibility and corporate profitability enhances the role of CSR in the global economy for sustainable growth and job creation, making it a priority on the global political agenda and triggering a growing demand for comparative macroeconomic studies [2]. The research results confirm the mediating role of CSR between corporate behavior and economic development, demonstrating the existence of a virtuous cycle between innovation and corporate internationalization, as well as economic development and social change. While most literature emphasizes the ultimate nature of CSR, this study concludes that innovation and presence in the global market are sources of responsible business strategies, which in turn are explanatory factors for growth and value change. Therefore, this study reveals the critical role of businesses in society and demonstrates their influence on the adoption of post-materialistic values.

Sun found that from the Wuhan epidemic in 2020 to the epidemic in Zhejiang in 2021, Wahaha swiftly donated a large number of materials, providing strong support for epidemic prevention. In addition, they demonstrated a proactive attitude towards public crises and disaster relief efforts, donating a total of over 700 million yuan to charitable causes. This sustained attention and support not only established Wahaha's positive corporate social responsibility image but also provided strong support for its success in business. By actively fulfilling social responsibilities, Wahaha enhanced its brand image and reputation, earning the trust and favor of consumers thereby driving product sales and market share growth. At the same time, attention to employee welfare and social welfare projects also strengthened employees' sense of belonging and loyalty to the company, providing talent and a stable foundation for the company's sustainable development [3]. Wahaha's success in establishing a corporate social responsibility image is not only reflected in public affairs but also injects powerful momentum into its long-term development in the business field.

Most scholars tend to focus on the shortcomings of businesses in implementing corporate social responsibility (CSR), such as potential false advertising and lack of genuine motives. However, there is relatively little research on the tangible economic effects of implementing CSR by companies. This may be because determining the impact of CSR activities on a company's economic performance requires consideration of multiple factors, and the relationships between these factors may be highly complex.

### **1.3. Research Framework**

The research logic of this article discusses the social impacts that overall CSR may bring and the consequences if CSR is inadequate. Then, it specifically addresses Wahaha's existing CSR research, providing evidence and supplementary information.

## **2. Case Description**

In Wahaha's social responsibility report, we emphasize the company's social responsibilities, such as creating tax revenue, generating employment, improving product management, and product research and development as customer responsibilities. Additionally, we focus on enhancing employee rights, employee care, and other employee responsibilities. Building on these foundations, the author strives for win-win cooperation with partners, safeguarding the interests of distributors while also promoting green production, plastic recycling, school donations, and supporting economically disadvantaged areas, thus making active contributions to social sustainability.

### 3. Analysis on the Problem

Through a comparative analysis of the social responsibility accounting disclosure of food and beverage companies, Di pointed out existing problems and proposed recommendations for constructing a framework for social responsibility accounting disclosure for food and beverage companies in China [4].

Wang believes that Wahaha's diversified strategy appears too chaotic, not only failing to meet the strategic value of the business itself but also not fulfilling its corporate social responsibility commitments [5].

Zhang also pointed out the widespread problem of information asymmetry in the Chinese food and beverage industry, where producers and processors have more product information than ordinary consumers, leading to a significant cause of food safety issues, which also occurs in Wahaha [6].

Wahaha's poor corporate social responsibility (CSR) practices may have adverse effects on the company in multiple aspects. The company's reputation may be damaged, leading to decreased public trust and affecting the attitudes and behaviors of consumers and investors. Secondly, violations of laws, regulations, or industry standards may lead to legal actions, fines, or other legal sanctions, increasing legal risks. In addition, consumers may choose to boycott the company's products or services due to dissatisfaction with its poor social responsibility practices, leading to decreased sales and market share. At the same time, insufficient attention to employee rights or unfair treatment of employees may result in employee turnover, affecting the stability and efficiency of the workforce. Investors are increasingly concerned about the social responsibility performance of companies, and poor CSR practices may lead to dissatisfaction and concerns from investors, affecting the attractiveness of the company's investment. Furthermore, poor social responsibility practices by the company may lead to supply chain issues, such as suppliers refusing to cooperate or deteriorating relationships, thereby affecting the company's production and operations.

Zhao and Chen's research suggests that Corporate Social Responsibility (CSR) indirectly influences customer trust. Firstly, the variable of corporate reputation impacts customers' cognitive and affective trust. Secondly, CSR can affect customer trust through two mediating variables: corporate reputation and customer satisfaction. Therefore, fulfilling CSR alone doesn't directly influence customer trust; instead, it requires conversion into a favorable corporate reputation and higher customer satisfaction to truly enhance trust. Corporate reputation and customer satisfaction play intermediary roles in this process, where cognitive trust is primarily influenced by corporate reputation, while affective trust is mainly influenced by customer satisfaction. Managing corporate reputation, as a crucial mediator between CSR and customer trust, demands attention from companies [7]. Besides showcasing CSR actions to consumers, it's essential to communicate the underlying motives, demonstrating the company's values of social welfare concern and CSR as more than mere profit-seeking gestures. A positive corporate reputation not only enhances customer satisfaction but also strengthens cognitive and affective trust, particularly the former. Furthermore, customer satisfaction plays a significant role in enhancing customer trust, especially in boosting affective trust. Thus, companies need to prioritize customer satisfaction management, actively exploring and improving factors influencing satisfaction, such as providing excellent pre-sale, during-sale, and after-sale services and establishing effective customer feedback mechanisms. Through these measures, customers are more likely to integrate emotions into trust relationships, express care and concern for the company, and make favorable consumption decisions. In fiercely competitive market environments, as more companies aim for lifetime customer value, establishing long-term partnerships with customers is crucial. In Pasumarti's study, building long-term partnerships relies on trust, requiring companies to continually enhance the customer value proposition to ensure satisfaction with every consumption experience, thus continually converting into trust in the company and fostering long-term development [8]. Companies can enhance corporate reputation and customer satisfaction through fulfilling CSR and promoting customer trust. Additionally, methods like establishing virtual communities can enhance customer engagement, fostering emotional connections between consumers and companies, thereby cultivating customer trust.

Based on the Zhao' and Chen's analysis, it seems that Wahaha may have several areas that require attention:

**Lack of Direct Impact:** The analysis suggests that Wahaha's corporate social responsibility (CSR) initiatives indirectly influence customer trust through factors like corporate reputation and customer satisfaction. However, there may be a need for Wahaha to explore ways to impact customer trust directly through its CSR efforts rather than solely relying on indirect effects.

**Reputation Management:** While Wahaha acknowledges the importance of corporate reputation as a mediator between CSR and customer trust, there might be room for improvement in actively managing and enhancing its reputation. This could involve not only demonstrating CSR actions to consumers but also communicating the underlying motivations and values driving those actions, thereby fostering greater trust.

**Customer Satisfaction Management:** The analysis highlights the significant role of customer satisfaction in enhancing customer trust, particularly emotional trust. Wahaha may need to focus on improving its customer satisfaction management strategies, including aspects like pre-sale, during-sale, and after-sale services, as well as establishing effective customer feedback mechanisms.

**Long-Term Relationship Building:** In a competitive market environment, building long-term partnerships with customers based on trust is crucial. Wahaha could consider strategies to enhance customer lifetime value and foster enduring relationships, such as continually improving the value proposition for customers and ensuring consistent satisfaction across every consumer experience.

**Community Engagement:** While the analysis doesn't explicitly address community engagement, it could be an area for Wahaha to explore further. Engaging with the community, whether through CSR initiatives or other means like virtual communities, can enhance customer participation and foster emotional connections, ultimately contributing to building trust.

Jamali believes that their socioeconomic status influences the practice of CSR in developing countries. After evaluating various dimensions of corporate social performance, Jamali found that none of the surveyed companies had set clear objectives, established strict measurement standards, or conducted due diligence. Additionally, CSR is still primarily seen as voluntary philanthropic behavior [9]. These findings need to be contextualized within specific frameworks, as the understanding and practice of CSR are influenced by the realities of specific countries and institutions, and there is a contradiction between the urgent need for private sector participation in CSR initiatives in developing countries and unfavorable environmental conditions. Therefore, promoting CSR in developing countries requires more systematic planning, stronger determination from the private sector, and cooperation between the public, private, and NGO sectors.

## 4. Suggestion

### 4.1. Suggestion for Social Responsibility Accounting Information Disclosure

The inadequate disclosure of information in Chinese food and beverage enterprises belongs to an issue of industrial structure. The framework for social responsibility accounting information disclosure in Chinese food and beverage enterprises can be implemented in the following ways:

**Establishing unified disclosure standards and guidelines:** Relevant government departments or industry associations should formulate unified standards and guidelines for social responsibility accounting information disclosure, clarifying the content, format, and frequency of disclosure to enhance consistency and standardization.

**Strengthening focus and depth of disclosure:** Enterprises should prioritize disclosing social responsibility information closely related to their core business and stakeholders, such as environmental protection, employee welfare, product safety, etc., to demonstrate the true situation and efforts of the company.

**Enhancing independent auditing and verification:** Enterprises should invite independent third-party organizations to audit and verify their social responsibility accounting information to ensure its

verifiability and credibility, thereby increasing stakeholders' trust and recognition of the disclosed information.

**Establishing information disclosure platforms and mechanisms:** Government departments or industry organizations can establish platforms and mechanisms for information disclosure, centrally managing and supervising social responsibility accounting information of enterprises, providing convenient channels for information access, and promoting transparency and openness of information disclosure.

**Strengthening stakeholder participation:** Enterprises should enhance communication and cooperation with stakeholders, fully consider their needs and opinions, and strengthen stakeholder participation in the process of social responsibility accounting information disclosure to improve the quality and effectiveness of information disclosure.

#### **4.2. Suggestion for Strategic Ambiguity and the Challenges Facing Corporate Social Responsibility**

For Wahaha's strategic ambiguity and the challenges facing corporate social responsibility, the following recommendations are proposed:

**Strategic Focus:** Wahaha should re-evaluate its diversification strategy and refocus its efforts. This means the company needs to concentrate its resources and efforts on core business areas, avoiding over-expansion and diversification. Through strategic focus, Wahaha can better leverage its core competitive advantages, enhance performance, and increase profits.

**Business Integration:** For the various business areas it has entered, Wahaha can consider business integration by consolidating related businesses under a unified platform to improve efficiency and synergy. Through business integration, Wahaha can reduce costs, optimize resource allocation, and strengthen market competitiveness.

**Integration of Social Responsibility and Strategy:** Wahaha should integrate corporate social responsibility into its strategy, viewing social responsibility as an integral part of long-term corporate development. By implementing social responsibility projects, the company can enhance its social image, increase brand value, and align with business strategies for mutual benefit.

**Risk Assessment and Management:** When formulating and executing strategies, Wahaha needs to conduct comprehensive risk assessments and implement effective risk management and control measures. Especially when considering entry into new areas or business integration, thorough evaluations of potential risks and challenges should be undertaken, with corresponding risk mitigation strategies developed.

**Continuous Improvement and Learning:** Wahaha should foster a culture of learning within the organization, encouraging employees to improve and innovate continuously. Through ongoing learning and improvement, the company can better adapt to market changes and challenges, maintain its competitive advantage, and achieve sustainable development.

#### **4.3. Suggestion for Information Asymmetry**

To address Wahaha's information asymmetry, the following adjustments are recommended:

**Transparent Disclosure of Product Information:** Wahaha can adopt an active information disclosure strategy by publicly sharing relevant product information, including raw materials, production processes, quality control, etc., to increase consumer understanding and trust in the products.

**Establishment of Independent Oversight Mechanisms:** Wahaha can establish independent oversight mechanisms by entrusting third-party organizations to audit and certify product information, ensuring the authenticity and credibility of the information.

**Enhancement of Food Safety Management:** Wahaha should strengthen food safety management by establishing a comprehensive quality management system and risk control mechanism, strictly adhering to relevant laws, regulations, and standards in production and processing to ensure product safety and quality.

**Strengthening Consumer Education:** Wahaha can enhance consumer education to raise awareness of food safety and improve consumers' ability to protect themselves, enabling them to make more rational choices and purchases of products.

**Establishment of Complaint and Feedback Mechanisms:** Wahaha can establish complaint and feedback mechanisms to promptly collect and address consumer complaints and feedback, responding to consumer concerns and issues in a timely manner to enhance consumer trust and satisfaction in the company.

According to Jamali's description, the insufficient practice of CSR in developing countries is not solely a problem at the corporate level; local governments also need to pay attention to and prioritize the consequences of this economic phenomenon [9]. Therefore, the proposed suggestions include:

For businesses, establishing clear CSR goals and strategies is paramount. Wahaha can develop corresponding strategies to achieve these objectives, ensuring positive social impacts in its practices, particularly in developing countries. Furthermore, according to Pomeroy, rigorous metrics should be set up to assess the effectiveness of social responsibility activities, ensuring transparency and accountability [10]. Additionally, enhancing due diligence on the supply chain and business partners is crucial to ensure compliance with global social responsibility standards.

For local governments and public institutions, creating a favorable policy environment is essential. Governments can formulate and implement policies and regulations conducive to corporate engagement in CSR, providing incentives and establishing oversight mechanisms. Moreover, offering support and guidance on best practices in CSR can help businesses better understand and implement social responsibility. Lastly, promoting public-private partnerships is vital, fostering collaboration among businesses, government, and non-profit organizations to address social and environmental challenges in developing countries collectively.

Sheehy argues that Corporate Social Responsibility (CSR) is a crucial and urgent task. The development of legal, financial, and political investments makes this task imperative. Defining CSR as international private business standards is a response to this inevitable trend, providing a unified framework. All standards have a political nature, and the political agenda of CSR is no exception. This political agenda plays an important role in developing robust CSR obligations, but it also presents certain obstacles to a clear definition [11]. Defining CSR as a standard helps to identify the complexities inherent in previous efforts and facilitates organizational reflection on the complexities faced in defining corporate obligations.

Therefore, businesses should have a clear definition of CSR, enabling organizations to address greenwashing complaints fairly while providing a clear framework for challenging industry practices. An organization that complies with and can point to standards has a clearer path to follow and is better able to withstand baseless accusations, while an institution opposing industrial practices can more clearly define standards and hazards.

Understanding CSR as a specific type of social phenomenon and defining it as an international private self-regulation focused on reducing and mitigating industrial harm and providing public benefit transcends previous efforts focused on collection, classification, and description. With this definition, organized and more focused debate can be initiated on pertinent issues regarding standards, including what the object of regulation is, the purpose, who manages the standards, what resources are used, and how costs and benefits are allocated.

## 5. Conclusion

This article extensively discusses Wahaha's successful practices in corporate social responsibility (CSR) and related research findings. Firstly, it introduces Wahaha's proactive actions in combating epidemics, charitable donations, and employee welfare, along with their positive impacts on corporate image and market competitiveness. Then, it cites scholars' research findings to analyze the key influence of the sincerity of motivation in CSR activities on corporate image, as well as the mediating role of CSR in corporate behavior and economic development. Lastly, it identifies problems in

Wahaha's information disclosure, strategic focus, and food safety management, providing corresponding recommendations. The research indicates that Wahaha's overly diversified strategy fails to meet both business and social responsibility needs effectively. Additionally, the prevalent information asymmetry in the Chinese food and beverage industry exacerbates risks such as food safety. Poor CSR practices may damage corporate reputation, increase legal risks, reduce consumer trust, impact employee stability and investment attractiveness, and even lead to supply chain issues. Insufficient information disclosure in Chinese food and beverage companies can be addressed through unified standards, focused disclosure, independent audits, information platforms, and stakeholder engagement. Wahaha needs to focus on strategy, integrate business, incorporate social responsibility, manage risks, and continuously improve. Transparent disclosure, establishment of supervision, strengthened safety management, enhanced consumer education, and establishment of feedback mechanisms are necessary to address information asymmetry.

Research on Wahaha's successful CSR practices has significant implications for the entire food and beverage industry. Its active participation in epidemic prevention, charitable donations, and other activities sets a good example, promoting social responsibility awareness and actions within the industry. Furthermore, citing scholars' research findings analyzing the impact of CSR activities on corporate image and economic development guides the industry. The research also identifies issues in Wahaha's information disclosure, strategic focus, and food safety management, proposing solutions. By addressing these issues, food and beverage companies can enhance their competitiveness and promote the healthy development of the industry. Therefore, Wahaha's research contribution to the food and beverage industry lies in setting examples, providing guidance, and solving problems.

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