

# Research on Reputation Spillover and Synergistic Effects of High-ESG-Performance Enterprises: A Case Study of Pang Dong Lai's Assistance to Yonghui Supermarket

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## Abstract

The Environmental, Social, and Governance (ESG) concept has become a core benchmark for assessing corporate sustainable development capabilities. However, existing studies predominantly focus on the economic consequences of a firm's own ESG performance, with insufficient attention to its external spillover effects. Taking the highly publicized "Pang Dong Lai assisting Yonghui Supermarket" event as the research object, this paper employs a single-case study method and integrates reputation theory, signaling theory, and the resource-based view to deeply analyze the reputation spillover mechanisms and synergistic effects of high-ESG-performance enterprises. The findings reveal that Pang Dong Lai's reputation spillover follows a "ripple pattern," diffusing progressively through four hierarchical levels: embedded empowerment, precise empowerment, radiating empowerment, and linkage empowerment. However, the efficacy of this spillover is significantly constrained by the absorptive capacity of the assisted party, industry competition structure, and sustainability of the assistance model. Information resource effects and competitive learning effects constitute the core driving mechanisms of reputation spillover, yet their effectiveness depends on the interaction quality and institutional distance between the assisting and assisted parties. The study further shows that Pang Dong Lai's reputation capital provided Yonghui Supermarket with a limited "insurance mechanism," but this buffering effect exhibits clear temporality and conditionality. Although sales at some renovated stores achieved remarkable 5- to 14-fold growth and employee compensation increased by more than 35%, Yonghui's overall turnaround remains challenging, and capital market reactions remain mixed. This research not only expands the research context of ESG spillover effects but also reveals the enabling conditions and boundaries of reputation spillover, offering valuable dialectical insights for distressed enterprises seeking strategic transformation through leveraging industry benchmarks.

## Keywords

ESG performance, reputation spillover, synergistic effect, ripple pattern, demonstration effect, boundary conditions

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## 1. Introduction

## 1.1 Research Background

Globally, the ESG (Environmental, Social, and Governance) concept has shifted from the periphery to the center, becoming a core strategic driver of corporate transformation and upgrading. In particular, under China's "dual carbon" strategy, ESG performance not only directly reflects a firm's sustainable development capability but has increasingly become a key determinant of corporate reputation, financing costs, and market competitiveness. By the end of 2024, the disclosure rate of ESG reports among A-share listed companies exceeded 30%, and the asset management scale of ESG-themed funds approached 300 billion yuan, marking ESG's full transition from an abstract concept to concrete business practice.

Existing research indicates that firms with superior ESG performance can generate significant "spillover effects" on peers. When benchmark firms receive positive market feedback due to their outstanding ESG practices, other firms in the industry—particularly those with weaker risk resilience—tend to learn from and imitate their operational decisions and management behaviors [3]. Zhai Huayun et al. (2025) further found that, within common shareholder networks, state-owned enterprises can exert ESG demonstration and leadership effects on private enterprises through "information resource effects" and "competitive learning effects" [15].

In 2024, Pang Dong Lai—a regional retail giant renowned for its exceptional ESG performance—launched an assistance initiative for Yonghui Supermarket, a listed company facing severe operational difficulties. Pang Dong Lai has accumulated substantial reputation capital through its extreme employee care (S) and customer service (S); meanwhile, Yonghui Supermarket—once dubbed the "fresh food leader"—incurred cumulative losses exceeding 8 billion yuan from 2021 to 2023, with its store count plummeting from a peak of 1,440 to 1,000. This assistance from a "high-ESG enterprise" to a "distressed enterprise" provides a unique and valuable natural experimental window for observing and understanding cross-firm ESG reputation spillover effects.

Notably, Pang Dong Lai's assistance to Yonghui is not a straightforward "success story." As of early 2025, despite explosive performance growth at some renovated stores, Yonghui's overall financial condition has not achieved a fundamental turnaround, and capital markets remain cautious about whether the "Pang Dong Lai model" can be successfully replicated and scaled across Yonghui's vast system. This complex pattern of "partial success with overall difficulty" offers valuable material for this study to deeply explore the enabling conditions, boundaries, and internal mechanisms of ESG reputation spillover.

## 1.2 Research Significance

The significance of this study lies in both theoretical and practical dimensions.

Theoretically, existing research on ESG spillover effects has largely concentrated on specific contexts such as equity linkages [15] or cross-border mergers and acquisitions [3], with very limited attention to the spillover effects arising from non-equity-dominated "assistance" interactions between firms. By taking the Pang Dong Lai–Yonghui collaboration as a case, this study not only explores the cross-firm mechanisms of ESG reputation spillover but also seeks to reveal the conditions under which such mechanisms operate and their inherent limitations, thereby contributing to a more comprehensive and dialectical theoretical understanding of ESG spillover effects in the academic area.

Practically, this research offers important implications for three groups of stakeholders. First, for distressed enterprises, the study demonstrates that leveraging reputation spillover from benchmark firms represents a viable transformation path, but success critically depends on absorptive capacity, institutional distance from the benchmark, and other factors. Second, for benchmark firms, the findings prove that high-level ESG investment not only enhances their own value but can also empower peers; however, reputation spillover does not occur automatically and requires careful mechanism design and process management. Third, for policymakers, the study recommends that while encouraging leading firms to elevate industry-wide ESG levels, close attention should be paid to the sustainability and contextual fit of assistance models to avoid one-size-fits-all policy approaches.

### **1.3 Research Questions**

Based on the above background and significance, this study aims to address the following three interconnected core questions:

First, as an exemplar of high ESG performance, how does Pang Dong Lai's reputation capital "spill over" to Yonghui Supermarket? What are the specific transmission channels and mechanisms of action?

Second, what synergistic effects does this reputation spillover generate? In which dimensions are the effects pronounced, and in which dimensions are limitations encountered?

Third, what are the enabling conditions and boundaries of reputation spillover? Which factors facilitate or constrain the effective realization of spillover effects?

### **1.4 Research Method and Framework**

To thoroughly address the above questions, this study adopts a single-case study approach [14]. Case selection follows the principle of theoretical sampling [4], i.e., choosing the case most likely to reveal and extend theoretical boundaries. The complex feature of "partial success coexisting with overall uncertainty" presented by the Pang Dong Lai–Yonghui assistance event makes it an ideal sample for exploring the enabling conditions and boundaries of reputation spillover effects.

In terms of data collection, this study integrates multiple sources, including in-depth reports from authoritative media, public announcements of the listed company, official responses from the enterprises, and massive discussions on social media. To ensure reliability and validity, all key information is cross-verified from at least two independent sources following the principle of triangulation. Data analysis employs the three-level coding method of grounded theory [11], systematically extracting concepts through open coding, axial coding, and selective coding, identifying logical relationships among categories, and ultimately constructing the core theoretical framework.

## **2. Theoretical Foundations and Literature Review**

### **2.1 Theoretical Foundations**

#### **2.1.1 Reputation Theory: Accumulation and Consumption of Reputation Capital**

Corporate reputation is defined as the overall perception and comprehensive evaluation formed by stakeholders based on a firm's past behavior and performance, constituting a critical intangible asset [6]. In the ESG domain, reputation theory highlights two core mechanisms: first, the "reputation accumulation mechanism," whereby firms gradually build substantial reputation capital by consistently and long-term meeting the expectations and demands of various stakeholders [16]; second, the "reputation insurance mechanism," whereby strong ESG reputation effectively buffers negative market reactions (e.g., stock price declines) during adverse events, providing a protective effect [8]. However, a frequently overlooked premise in reputation theory is the "transferability" and "depletability" of reputation capital. When one firm's reputation is "borrowed" by another, does the original firm's reputation capital become depleted? To what extent can the borrowing firm "inherit" and internalize this reputation? These questions are particularly salient in the present case.

#### **2.1.2 Signaling Theory: Signal Cost, Observability, and Credibility**

In markets characterized by information asymmetry, parties with informational advantage can transmit credible signals about their own qualities by undertaking costly actions [10]. High-level ESG performance itself serves as a powerful "positive signal," indicating to outsiders a low probability of opportunistic behavior in cooperation and thus facilitating greater trust from partners and consumers [9]. An effective ESG signal must possess two key characteristics: significant signaling cost and high signal observability [13]. Nevertheless, signaling theory also has its boundaries: the effectiveness of signal transmission ultimately depends on the receiver's interpretive capacity and willingness to accept the signal. The same signal may elicit markedly different responses across different stakeholder groups. In this case, the strong signal of

“Pang Dong Lai’s assistance” produces distinctly different impacts on consumers, employees, investors, and other parties.

### **2.1.3 Resource-Based View: Internalization of Resources and Capability Accumulation**

The Resource-Based View (RBV) posits that resources that are valuable, rare, inimitable, and non-substitutable (VRIN) constitute the fundamental source of sustainable competitive advantage [1]. However, merely possessing resources is insufficient; firms must convert them into a series of “dynamic capabilities”—such as absorptive capacity, adaptive capacity, and innovative capacity—to truly drive organizational transformation and development. A central insight of this theory is that the effective internalization of external resources critically depends on the firm’s own “absorptive capacity” [2]. Firms with strong absorptive capacity can more efficiently identify, assimilate, integrate, and apply external knowledge. This perspective is essential for explaining the present case: whether Yonghui Supermarket can truly “learn” the essence of the Pang Dong Lai model fundamentally hinges on its organizational-level absorptive capacity.

### **2.1.4 Stakeholder Theory: Balancing Diverse Demands**

Stakeholder theory asserts that firms are accountable not only to shareholders but also to all parties affected by their decisions and actions—including employees, customers, suppliers, communities, and others [5]. In practice, the demands of different stakeholders often create tensions or even conflicts—for example, improving employee welfare may raise short-term costs, while optimizing customer experience may compromise operational efficiency. Achieving dynamic balance among these diverse and sometimes conflicting demands represents the core challenge of ESG practice and a key measure of governance quality.

## **2.2 Literature Review**

### **2.2.1 Research on ESG Spillover Effects**

ESG spillover effects refer to the influence that one firm’s ESG performance exerts on other firms in the same industry. Deng Haiyin et al. [3] found that, in cross-border merger and acquisition contexts, firms with high ESG performance, upon receiving positive market feedback, have their behavioral patterns learned and imitated by other industry peers—particularly those with lower risk-bearing capacity—thereby generating intra-industry spillover effects.

### **2.2.2 Research on ESG Demonstration Effects**

Regarding demonstration effects, Zhai Huayun et al. [15], based on common shareholder network analysis, showed that state-owned enterprises can exert ESG demonstration and leadership on private enterprises through two mechanisms: the “information resource effect” (transmitting ESG-related management knowledge and practical experience) and the “competitive learning effect” (other firms actively learning benchmark ESG practices to maintain or enhance competitiveness).

### **2.2.3 Research on Corporate Assistance Models**

Studies focusing on corporate assistance to rural industries have distilled a “ripple pattern” [7]. This pattern describes the progressive diffusion of assistance impact from a core circle outward, manifested in four sequential stages: embedded empowerment → precise empowerment → radiating empowerment → linkage empowerment. While this model provides a useful framework for understanding the diffusion laws of assistance influence, it offers limited discussion of heterogeneity in assistance outcomes and sustainability issues.

### **2.2.4 Research Gaps and Analytical Perspective of This Paper**

Taken together, existing studies exhibit the following shortcomings: first, research on spillover effects largely focuses on confirming the existence of the effect but pays insufficient attention to the conditions under which it occurs and its boundaries; second, while demonstration effect studies reveal spillover mechanisms, they lack in-depth analysis of circumstances in which these mechanisms may fail; third, assistance model research has outlined process frameworks but provides inadequate explanations for the marked heterogeneity in assistance outcomes. In response, this paper integrates the above theories to

construct an integrated analytical framework titled “Ripple Pattern of ESG Reputation Spillover and Its Boundary Conditions.” This framework not only examines the progressive diffusion of reputation spillover across four hierarchical levels but also incorporates key moderating variables that influence spillover effectiveness—such as the assisted firm’s absorptive capacity, industry competitive landscape, institutional distance between parties, and sustainability of the assistance model—thereby aiming to yield more explanatory conclusions.

### **3. Case Overview**

#### **3.1 Pang Dong Lai: An Industry Benchmark of High ESG Performance**

Pang Dong Lai, a regional retail enterprise headquartered in Xuchang, Henan, has earned the reputation of “the ceiling of Chinese retail” through its extreme ESG practices. On the social dimension (S), its frontline employees enjoy monthly salaries far above local averages, and innovative policies include a “grievance award” and mandatory store closures every Tuesday for rest. For customers, it offers value-added services far exceeding industry norms, such as free optometry and shoe repair. On the governance dimension (G), founder Yu Donglai advocates a corporate culture of “love and freedom,” placing employee well-being and dignity at the top priority of operations. Through long-term, unwavering fulfillment—and even exceeding—the expectations of all stakeholders, Pang Dong Lai has accumulated exceptionally deep “reputation capital.”

#### **3.2 Yonghui Supermarket: An Industry Veteran in Distress**

Yonghui Supermarket (601933.SH), once a leader in fresh food retail and dubbed the “fresh food leader,” has fallen into severe operational difficulties in recent years. Financial data show cumulative losses exceeding 8 billion yuan from 2021 to 2023, with store numbers shrinking sharply from a peak of 1,440 to approximately 1,000. Three consecutive years of losses and large-scale store closures clearly indicate significant “legitimacy gaps” in Yonghui’s original business model on the social (S) and governance (G) dimensions of ESG.

#### **3.3 Overview of the Assistance Event**

In 2024, Pang Dong Lai officially launched its assistance program for Yonghui Supermarket. The assistance measures covered the entire retail operations chain: at the front-end standardization level, product assortments underwent major optimization, with large quantities of low-efficiency items removed and Pang Dong Lai’s private brands introduced. Taking the Zhengzhou Xinwan Plaza store as an example, 10,841 SKUs were delisted, representing a removal rate of 81.3%; at the same time, new products were replanned and introduced, bringing the product structure largely in line with Pang Dong Lai’s standards (over 90%). At the mid-level informatization stage, Pang Dong Lai dispatched core management and operations teams to reside on-site, delivering “hands-on” training to Yonghui employees and transferring its unique management philosophy and operational practices, involving approximately 190 personnel and incurring direct assistance costs of 18 million yuan. At the back-end branding level, Pang Dong Lai skillfully leveraged its strong reputation to attract customer traffic back while simultaneously optimizing service processes and standards.

#### **3.4 The Complex Picture of Assistance Outcomes**

The outcomes of the assistance exhibit marked heterogeneity, presenting a complex landscape:

Partial success is evident: The first renovated store in Zhengzhou Xinwan Plaza saw opening-day sales surge to 1.88 million yuan—13.9 times pre-renovation levels—and foot traffic reached 12,926 people, 5.3 times pre-renovation. Subsequent renovated stores in Xi’an, Xiangyang, Fuzhou, Shenzhen, and elsewhere achieved several-fold increases in sales and foot traffic. On the employee side, compensation rose substantially, with frontline monthly salaries increasing from the 2,800–3,800 yuan range to 4,000–6,000 yuan, and store manager salaries rising from approximately 14,000 yuan to about 20,000 yuan.

Overall transformation remains difficult: As of early 2025, only 12 stores had been renovated, accounting for just 1.2% of Yonghui’s roughly 1,000 stores. Whether these renovated stores can sustain high growth remains to be seen, while the vast majority of unrenovated stores continue to struggle under the original

model. At the company-wide financial level, Yonghui has not yet achieved a turnaround; first-half 2024 revenue declined 10.11% year-over-year, and non-GAAP net profit remained under pressure. Capital market reactions have been mixed: although MINISO made a strategic investment of 6.27 billion yuan, Yonghui's stock price has not sustained upward momentum. This complex picture powerfully illustrates that reputation spillover is not an automatically triggered "magic"; its realization is profoundly constrained by a variety of factors.

#### **4. Case Analysis: The Ripple Pattern of Reputation Spillover and Its Boundaries**

##### **4.1 First Ripple Layer: Embedded Empowerment — Depth and Limits of Trust Building**

The Pang Dong Lai team directly stationed itself in Yonghui stores, fully participating in and leading the rectification process, exemplifying the typical characteristics of "embedded empowerment." As of the end of 2024, 15 core Pang Dong Lai personnel remained on the front lines of assistance, with a cumulative total of approximately 190 participants and direct assistance costs reaching 18 million yuan. This deep, personnel-immersive assistance not only brought management techniques but, more importantly, transmitted Pang Dong Lai's management philosophy and corporate culture. As Ren et al. (2025) pointed out, high ESG performance serves as a strong positive signal, effectively reducing the risk of opportunism in cooperation and rapidly establishing trust [9]. The Pang Dong Lai team's on-site presence sent a powerful message to Yonghui employees, customers, and suppliers alike: "We are here to genuinely help." Yonghui Supermarket Vice President Wang Shoucheng's statement that "the state of employees is the foundation of the rectification" further confirms the central role of trust building in the early stages of change.

However, the depth and breadth of this trust building have clear limitations. First, Pang Dong Lai's limited team resources can only cover a very small number of pilot stores; the vast majority of Yonghui employees have not had direct contact with the Pang Dong Lai team, naturally limiting their understanding and identification with Pang Dong Lai's culture. Second, the "transfer" of trust is conditional. Consumers may enter renovated Yonghui stores because of trust in Pang Dong Lai, but whether this initial trust can translate into sustained loyalty to the Yonghui brand ultimately depends on Yonghui's own product and service performance. Finally, repairing trust relationships with suppliers requires a much longer cycle, and significant improvements are difficult to observe in the short term. This suggests that the depth of trust building achieved through embedded empowerment depends on the frequency and quality of interaction between the assisting and assisted parties, its breadth is constrained by the coverage of assistance resources, and its sustainability relies on the assisted enterprise's own capacity for self-sustenance and maintenance.

##### **4.2 Second Ripple Layer: Precise Empowerment — Efficiency and Barriers of Knowledge Transfer**

Pang Dong Lai did not simply replicate its own model but provided customized rectification plans tailored to Yonghui stores' specific problems, achieving "precise empowerment." For example, in the Zhengzhou store, a sweeping adjustment to product structure (81.3% delisting rate, 80% new item proportion) quickly brought it close to Pang Dong Lai's efficient assortment. This is a direct manifestation of the "information resource effect"—the benchmark firm effectively transferring valuable knowledge and experience in ESG management, particularly operational management, to the assisted firm [15].

However, the efficiency of knowledge transfer is constrained by multiple factors. First, the tacitness of knowledge. Much of Pang Dong Lai's success stems from tacit knowledge—such as its unique corporate culture, service philosophy, and flexible management approach—that is difficult to articulate. As Yonghui's vice president remarked: "There is a shortcut to learning from Pang Dong Lai—the only shortcut is for us to be sufficiently sincere." Yet "sincerity" is a value orientation that cannot be quickly achieved through short-term training. Second, the embeddedness of knowledge. Pang Dong Lai's management model is deeply intertwined with its founder's personal traits, the regional culture of Henan, and specific organizational history. Transplanting it into Yonghui—a nationwide listed company with different organizational inertia—requires a complex process of "de-embedding" and "re-embedding." Third, differences in absorptive capacity. Yonghui employees at different stores and levels vary significantly in their ability to understand, accept, and apply new knowledge, directly leading to uneven transfer outcomes. Effective signals require

cost and observability [13]; Pang Dong Lai's assistance is undoubtedly a high-cost, strong signal, but whether the signal is accurately decoded and converted into effective action ultimately depends on the receiver's decoding capability.

### **4.3 Third Ripple Layer: Radiating Empowerment — Diffusion and Decay of Learning Effects**

Starting from the success of the first two pilot stores, Pang Dong Lai's influence gradually "radiated" to more Yonghui stores. For example, the Xi'an Zhongmao Plaza store, which underwent independent rectification, achieved first-day sales of 1.5143 million yuan post-renovation—7.6 times pre-renovation levels. The Xiangyang Minfa Plaza store saw monthly sales increase by 180% after renovation. As of November 2024, 12 stores had been renovated, with plans to expand to 40–50 stores before the Spring Festival. This exemplifies the "competitive learning effect": when an industry benchmark actively practices and benefits from its ESG strategy, other firms capture this signal and proactively learn and imitate it to enhance their own competitiveness [15]. Xiangyang store manager Pan Jianrong's bold statement—"We may not become a 'second Pang Dong Lai,' but we can be the first 'Pang Dong Hui' in Xiangyang"—vividly reflects this proactive learning intent.

However, the learning effect decays noticeably during diffusion. First, incentive incompatibility: pilot stores receive direct guidance and resource support from Pang Dong Lai teams, whereas the "self-study" effect in other stores is clearly inferior and cannot fully replicate the former's success. Second, capability bottlenecks: independent rectification places extremely high demands on stores' management, learning, and execution capabilities; not all stores possess these prerequisites. Third, time and performance pressure: under intense performance pressure, some stores may opt for "quick fixes," adopting superficial, easy-to-implement measures while neglecting deeper cultural and managerial changes, causing learning to become formalistic. Deng Haiyin et al. [3] noted that spillover effects are more pronounced for firms with weaker risk-bearing capacity. As a distressed enterprise, Yonghui indeed exhibits strong learning motivation, but whether motivation translates into effective learning ultimately depends on the support of learning capability.

### **4.4 Fourth Ripple Layer: Linkage Empowerment — Emergence and Constraints of Synergistic Effects**

As some stores achieved significant improvements in ESG dimensions such as employee care (S) and customer satisfaction (S), Yonghui's relationships with core stakeholders improved, initially manifesting synergistic effects of "linkage empowerment." Employee compensation rose by more than 35%, boosting morale; customer satisfaction and recognition increased substantially, driving traffic and sales recovery; and capital markets responded positively, as evidenced by MINISO's 6.27 billion yuan strategic investment. However, the emergence of these synergistic effects at the overall level faces multiple constraints. First, scale constraint: renovated stores account for only 1.2% of the total, limiting their contribution to Yonghui's overall revenue and profit. Second, cost constraint: substantial salary increases create rigid cost pressures; in stores where sales growth fails to cover these added costs, losses may actually worsen. Third, sustainability constraint: Pang Dong Lai's assistance commitment is approximately "two years"; whether Yonghui can independently sustain and scale this model afterward remains the greatest uncertainty. Fourth, divergent capital market reactions: while MINISO's investment is a positive signal, Yonghui's stock price has not sustained upward momentum, reflecting market skepticism about the feasibility of large-scale replication of the "Pang Dong Lai model" within Yonghui's system. Here, the "reputation savings effect" [8] is limited: Pang Dong Lai's reputation indeed provided Yonghui with a valuable period of public and market buffering, but the "borrowing" of reputation capital is not unlimited. Yonghui must demonstrate real improvement within this limited time window; otherwise, public and investor patience will eventually be exhausted.

## **5. Mechanism Analysis: Enabling Conditions and Boundaries of Spillover Effects**

### **5.1 Enabling Conditions of the Information Resource Effect**

The effective operation of the information resource effect depends on several key conditions:

**Codifiability of knowledge:** Pang Dong Lai’s management knowledge system can be divided into two types: explicit knowledge that is easy to codify and transfer (e.g., product structure standards, shelf display norms, salary hierarchies) and tacit knowledge that is difficult to articulate (e.g., “love and freedom” service philosophy, unique cultural atmosphere, flexible management approach). In this case, explicit knowledge (e.g., salary increases, product adjustments) was transferred and applied relatively well, while tacit knowledge transfer was significantly weaker.

**Institutional distance between parties:** Pang Dong Lai, as a regional private enterprise, features a flat organizational structure and flexible, efficient decision-making. Yonghui, as a nationwide listed company, faces stricter regulatory requirements and more complex internal processes. The institutional distance between them undoubtedly increases friction costs and complexity in knowledge transfer. Yonghui must absorb Pang Dong Lai’s flexibility while complying with listed-company regulations—an inherent tension posing a major challenge.

**Absorptive capacity of the assisted enterprise:** According to Cohen & Levinthal [2], firms with strong absorptive capacity can better identify, assimilate, and apply external knowledge. Significant differences in absorptive capacity exist across Yonghui’s stores, regions, management teams, and employees, largely explaining the marked heterogeneity in renovation outcomes despite all learning from Pang Dong Lai.

## 5.2 Enabling Conditions of the Competitive Learning Effect

The operation of the competitive learning effect is similarly constrained by several conditions:

**Intensity of competitive pressure:** In highly competitive regional retail markets, stores have stronger motivation to learn the Pang Dong Lai model for survival and development; in less competitive areas, the urgency and incentive for learning may be weaker. This may lead to differentiated learning outcomes across Yonghui’s regional stores.

**Clarity of the signal:** Is the success signal of the Pang Dong Lai model sufficiently clear and free of “noise”? Some market participants or Yonghui employees may attribute Pang Dong Lai’s success simply to its founder’s personal charisma or specific regional market protection rather than its outstanding ESG practices. Such interpretive bias directly affects learning motivation and direction, leading to “learning the form but missing the essence.”

**Learning costs versus expected benefits:** Learning the Pang Dong Lai model requires massive upfront investment (salary increases, store renovations, product restructuring, etc.), inevitably raising short-term costs. If store managers lack confidence in long-term returns or the willingness and capacity to endure short-term pain, they may choose to “wait and see” rather than act.

## 5.3 Boundaries of the Reputation “Insurance Mechanism”

The reputation “insurance mechanism” provided by Pang Dong Lai to Yonghui is neither universal nor unlimited; its effectiveness and sustainability are strictly constrained by multiple boundaries:

**Temporal boundary:** The “borrowing” of reputation capital has a clear time limit. The public and investors are willing to grant Yonghui a certain “trial-and-error” period, but this patience is not infinite. Yonghui must demonstrate tangible, sustainable improvement within this precious buffer window; otherwise, the reputation insurance may fail, potentially triggering even stronger negative backlash.

**Scope boundary:** The reputation insurance operates unevenly. It primarily affects consumers, attracting them to try renovated stores, but its impact on suppliers (e.g., securing better payment terms and cooperation conditions) and capital markets (e.g., convincing institutional investors to hold long-term) is relatively limited and more unstable.

**Conditional boundary:** The effectiveness of reputation insurance ultimately depends on the assisted firm’s own performance. If Yonghui fails to show substantial, sustainable improvement during the buffer period, the reputation endorsement from Pang Dong Lai may dramatically shift from a “protective umbrella” to a “magnifying glass”—public disappointment over “failing to live up to Pang Dong Lai’s expectations” may be far stronger than for an ordinary firm’s failure.

## 5.4 Explanation of Heterogeneity in Spillover Effects

Combining the above analysis, an integrated explanation for the heterogeneity in assistance outcomes is offered:

At the store level: Pilot stores receiving direct guidance from Pang Dong Lai teams can more effectively receive and internalize tacit knowledge, yielding stronger learning effects and the most significant performance improvements. In contrast, independently renovated stores rely primarily on imitation of explicit knowledge, resulting in uneven outcomes highly dependent on each store's own endowments.

At the temporal level: In the short term, renovated stores show remarkable growth in sales and traffic, with reputation spillover effects manifesting rapidly. In the medium term, whether this growth can be sustained depends on stores' ability to establish self-maintaining and iterative mechanisms. In the long term, Yonghui's overall transformation as a large organization faces enormous uncertainty.

At the stakeholder level: Different stakeholder groups exhibit varying response speeds and attitudes to the assistance event. Consumers react most directly and positively; employees respond positively but require sustained incentives and cultural identification to maintain; capital markets show positive yet cautious observation; suppliers remain the most cautious, requiring longer time and more reliable signals to repair trust.

## 6. Conclusion and Implications

### 6.1 Main Research Conclusions

Through in-depth analysis of the Pang Dong Lai–Yonghui Supermarket assistance case, this paper draws the following four core conclusions:

First, the reputation spillover from high-ESG enterprises follows a “ripple pattern,” yet the spillover effects exhibit significant heterogeneity and boundaries. Pang Dong Lai's reputation spillover diffused progressively through four layers: embedded empowerment, precise empowerment, radiating empowerment, and linkage empowerment. However, spillover outcomes vary markedly across stores, time dimensions, and stakeholder groups. This finding not only validates the explanatory power of the “ripple pattern” [7] in the enterprise assistance context but, more importantly, reveals its specific boundaries and enabling conditions.

Second, information resource effects and competitive learning effects constitute the core driving mechanisms of reputation spillover, but their effectiveness is constrained by multiple factors. The realization of information resource effects depends on knowledge codifiability, institutional distance between parties, and the assisted firm's absorptive capacity; competitive learning effects depend on competitive pressure intensity, signal clarity, and expected learning costs versus benefits. This study supplements the “demonstration effect” framework [15] with critical analysis of enabling conditions, deepening understanding of mechanism operation.

Third, reputation capital provides a limited cross-firm “insurance mechanism.” Pang Dong Lai's outstanding reputation indeed offered Yonghui valuable public opinion buffering and market protection, but this protection has clear temporal, scope, and conditional boundaries. The study shows that reputation capital can be “borrowed” but not directly “transferred”; it can buffer but cannot substitute for the firm's own core capabilities. This adds important boundary condition analysis to the “reputation savings effect” theory [8].

Fourth, realizing synergistic effects between ESG and business performance requires multiple supporting conditions. Although some Yonghui stores achieved a virtuous cycle of ESG improvement and commercial performance growth, overall synergy remains constrained by scale, cost, sustainability, and divergent capital market reactions. This indicates that converting ESG investment into business value is not an automatic process; it requires systematic mechanism design, sustained capability accumulation, and favorable external conditions.

## 6.2 Theoretical Contributions

The theoretical contributions of this study are primarily in three areas: First, it expands the research context of ESG spillover effects and supplements analysis of boundary conditions. The study extends the perspective beyond traditional equity linkages [15] and cross-border M&A [3] to the distinctive enterprise assistance context, not only verifying the existence of spillover effects but systematically revealing their enabling conditions and inherent limitations. Second, it integrates the “ripple pattern” and “demonstration effect” frameworks while introducing key moderating variables such as absorptive capacity. By organically combining process analysis [7] with mechanism analysis [15], and incorporating concepts such as absorptive capacity and institutional distance, the paper constructs a more dynamic and explanatory integrated analytical framework. Third, it validates and enriches reputation theory by revealing the boundaries of reputation effects in cross-firm contexts. The study supplements critical boundary condition analysis for the “ESG → reputation → trust” logical chain [12] and the “reputation savings effect” [8], profoundly clarifying the essential distinction between “borrowing” and “transferring” reputation capital.

## 6.3 Practical Implications

This study offers important implications for three groups of practitioners:

For distressed enterprises: Leveraging reputation spillover from benchmark firms is a viable transformation path, but its boundaries must be clearly recognized. First, enhancing absorptive capacity is key to transformation; firms must establish effective learning mechanisms and an inclusive learning culture, avoiding mere “copy-paste.” Second, seizing the precious buffer period is critical; firms must convert “borrowed” reputation into “self-owned” reputation and capabilities within this limited window through solid change. Third, sincerity in reform is foundational—as Yonghui executives reflected: “If we fail to learn well, it is because we are not sincere enough.”

For benchmark firms: High-level ESG investment is not only social responsibility but also a powerful asset capable of empowering peers; however, reputation spillover requires systematic design. First, distinguish strategies for transferring explicit versus tacit knowledge: standardize output for the former and rely on long-term immersion and cultural guidance for the latter. Second, assess the assisted firm’s absorptive capacity and tailor assistance accordingly. Third, focus on building sustainable spillover mechanisms, emphasizing cultivation of the assisted firm’s long-term “self-sustenance” capacity rather than short-term “blood transfusion.”

For regulators and industry associations: While encouraging leading firms to elevate industry-wide ESG levels, attention must be paid to the sustainability and contextual fit of assistance models. First, avoid evaluating success solely by “number of assisted cases”; focus instead on actual outcomes and long-term sustainability. Second, encourage diverse spillover and cooperation models rather than mandating a single approach. Third, consider establishing scientific evaluation and feedback mechanisms for assistance outcomes to promptly identify and resolve issues in cooperation.

## 6.4 Research Limitations and Future Directions

This study also has several limitations. First, as a single-case study, its external validity is inherently limited; future research could enhance generalizability through multi-case comparisons or large-sample quantitative testing. Second, the data primarily rely on publicly available secondary sources, lacking in-depth primary interview data; future fieldwork inside enterprises would yield richer insights. Finally, the assistance event is still evolving, and its long-term effects require ongoing tracking. Looking ahead, several questions warrant further exploration: How can a more systematic theoretical framework of ESG spillover boundary conditions be constructed? Do reputation spillover effects exhibit systematic differences across ownership types or industries? How can more efficient and sustainable inter-firm assistance mechanisms be designed? These questions offer broad scope for subsequent research.

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## Conflicts of Interest

The authors declare no conflict of interest.

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