An Exploratory Analysis of Managerial Perceptions of Social and Environmental Reporting in China: Evidence from State-Owned Enterprises in Beijing

by

Na Zhao
School of Management
Royal Holloway, University of London
Egham, Surrey UK
TW20 0EX
Email: na.zhao@rhul.ac.uk

and

Dennis M. Patten
Department of Accounting
Illinois State University
Normal, IL 61761
Email: dmpatte@ilstu.edu

Keywords: Social and environmental reporting, corporate social responsibility, neo-institutional theory, state-owned enterprises, China

An Exploratory Analysis of Managerial Perceptions of Social and Environmental Reporting in China: Evidence from State-Owned Enterprises in Beijing

Introduction

Owing substantially to a shift in governmental policy away from economic growth at all costs (See, 2009), Chinese corporations have begun to exhibit increased interest in both corporate social responsibility (CSR) and the disclosure of social and environmental information. With respect to the latter, Guan and Yu (2011) note, for example, while only a handful of Chinese listed companies issued standalone CSR reports as recently as 2005, by 2009 the number had grown to nearly 600. However, several studies (e.g., Ane, 2012; Zeng et al., 2010; Guan and Yu, 2011) of social and environmental reporting (SER) in China document that, in general over the mid-to-late 2000s, the quality of the reporting was poor.

While the growth of CSR reporting in China in recent years is well-documented, little is known about the managerial perceptions of the practice. Studies of SER in more developed economies indicate that a variety of institutional pressures often play a role in its adoption and development, and in this study, we attempt to determine how managers of CSR reporting companies in China perceive pressures for the practice, and we interpret these through a neo-institutional lens (Bebbington et al., 2009; Larrinaga-Gonzalez, 2007). Given the unique status and relation to the government of state-owned enterprises (SOEs), we focus in this exploratory investigation exclusively on these types of organizations. Further, due to the differing cultural and industrialization environments across the regions of China (Redfern and Crawford, 2010), we further limit our examination to companies headquartered in Beijing. Finally, in addition to identifying managerial perceptions of the pressures regarding SER practices, we also attempt to better understand the poor quality of the reporting by seeking managers' perceptions of the purpose for the disclosure. Our interview data were collected in 2009, the height of the SER growth period in China.

This study adds to the social and environmental accounting body of knowledge in two important ways. First, this is the first study to investigate Chinese managers' perceptions of the pressures for SER, and in addition to allowing for a better understanding of the factors that appear to influence the practice in a non-Westernized setting, the analysis also adds to the growing body of research exploring SER from a neo-institutional perspective. Importantly, we find that, in spite of the differing Chinese context, managers perceive varying degrees of institutional pressures, a finding consistent with SER in more developed economies (see, e.g., Bebbington et al., 2009). Interestingly, and in contrast to recent explorations of institutional change outside of the SER domain (e.g., Ezzamel et al., 2012), our interview data suggests considerable homogeneity with respect to managerial responses to the change in logics. We speculate that this may be due to both our specific focus on SOEs in Beijing, as well as the somewhat unique social and political nature of the Chinese setting. Second, our exploration of how Chinese managers perceive the purpose of SER helps to explain the low reporting quality documented in earlier studies of the practice, and perhaps more importantly, may help identify changes that might be necessary to ultimately improve the disclosure. We begin with background on the differing Chinese context regarding SER.

Background

SER in the Chinese Context

The Chinese economy differs in substantial ways from those of more developed Western countries. Tang and Li (2009, p. 202), for example, note that until the launch of the 'Open Door' policy in the late-1970s, "almost all Chinese corporations were collectively owned and tightly controlled by the state." However, the last three decades have seen the development of a socialist market economy where, according to Noronha et al. (2013, p. 31), "the market plays a primary role in allocating resources under the government's macro-regulation." A key aspect of the market transformation was the move to shift many of the governmental entities into publicly traded state-owned enterprises with the goal of faster economic development (Gao, 2011). Noronha et al. (2013) note the success of the transformation in that China's GDP increased substantially over the 30 years following the market reforms, and its economy is projected to be the largest in the world by 2040. However, the economic growth did not come without social and environmental costs. Tang and Li (2009, p. 199) identify that, among other issues, concerns with the use of 'slave labor', the safety of pet food and toys exported from China, and environmental pollution problems have come to the forefront over the past few years.[1]

Although the concept of corporate social responsibility has been slowly taking root in China since the country joined the World Trade Organization in 2001 (Gao, 2011), it wasn't until the middle of the decade that substantial attention was paid to the topic. As noted by Marquis and Qian (2014, p. 129), the Chinese government, since its creation in 1949, has articulated its priorities through a series of five-year plans, and they highlight the important shift apparent in the 11th Five-Year Plan for National Economic and Social Development issued in 2006. Released under the administration of Hu Jintao, the plan encouraged a national vision based on the principles of a harmonious society and scientific development, and, this, according to See (2009, p. 1), was "perceived to be a departure from an economic growth at all cost model to one in which economic growth is balanced against the urgent need to tackle pressing societal and environmental problems existing in China."

[1] Tang and Li (2009) identify, for example, that the *New York Times* ran a series of feature articles in 2007 exploring the ecological issues driven by China's economic growth.

Both Marquis and Qian (2014) and Noronha et al. (2013) state that, in addition to placing pressures on companies to improve their CSR activities, a major focus of the shifting Chinese priorities was on encouraging corporate SER. Noronha et al. (2013, pp. 33-35) identify nearly a dozen different documents issued since 2006 by organizations including the Ministry of Finance, the State Environmental Protection Administration of China, and both the Shenzhen and Shanghai Stock Exchanges, either encouraging, or in theory, requiring aspects of social and environmental disclosure.[2] Perhaps not surprisingly, given the state emphasis on the practice, SER has grown dramatically in China in recent years. For example, while Gao (2011) indicates only six CSR reports were published by listed firms in 2005, Guan and Yu (2011) identify that 189 companies published one in 2008 and that the number ballooned to 582 the following year.

Unfortunately, while the uptake of SER by Chinese listed firms grew dramatically over the 2006 to 2009 period, Guan and Yu (2011) claim that the quality of the disclosure is low in that most reports fail to embrace international reporting standards and few include meaningful indicators. Other recent studies investigating SER in China over the later 2000s, although focusing more specifically on just environmental disclosure, document similar concerns with quality. For example, Liu and Anbumozhi (2009) examine a sample of 175 listed Chinese firms and measure the extent of environmental disclosure included in annual reports, standalone CSR-type reports, and company websites for the year 2006. Using a content analysis metric weighted for disclosure quality[3] and converted to a percentage score, they report that the firms, on average, achieved only 28.8 percent of the possible points. Also investigating the provision of environmental information through both annual reports and standalone CSR reports, Yu et al.

---

[2] For example, Marquis and Qian (2014, p. 145) identify that over 30 percent of the companies that were technically required to issue CSR reports by either the Shenzhen or Shanghai Stock Exchanges failed to do so.

[3] Similar to Wiseman's (1982) weighting scheme, Liu and Anbumozhi (2009) award one point for general disclosures, three points for descriptive disclosures, and five points for the provision of quantitative or monetary information.

(2011) examine a larger sample of publicly traded firms and focus on reporting in 2008 and 2009. Based on 445 manufacturing companies listed on the Shanghai Stock Exchange, Yu et al. (2011), consistent with Liu and Anbumozhi (2009), report low disclosure scores overall (a mean score of 3.7 out of a possible 13).[4]

The substantial increase in the use of CSR reporting by Chinese corporations, particularly in conjunction with the findings that the reporting quality is low, presents an interesting opportunity to better understand the process by exploring how managers of disclosing firms perceive the pressures leading to, and the purposes for, the reporting. We believe that examining this issue through the lens of neo-institutional theory (see, e.g., Bebbington et al., 2009; Larrinaga-Gonzalez, 2007) can shed light on the practice, and we turn to an overview of that theory as it applies to SER.

Neo-Institutional Theory

Neo-institutional theory is based on the premise that organizations act in response to various pressures from their institutional environments and adopt organizational structures and management practices that are considered to be the appropriate choice by broader society and that are considered legitimate by other organizations in their field, regardless of their actual usefulness (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Carpenter & Feroz, 2001). This basic premise of neo-institutional theory proposes a standardization to, and harmonization with, certain predominant norms (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Carpenter & Feroz, 2001, Tagesson, 2007). Essentially, the theory highlights the relationship between organizations and the environment within which they operate. While taking into account legitimacy and stakeholder concerns, neo-institutional theory expands the focus from the

[4] Studies focusing on either annual report or web-based disclosure of social and environmental information by Chinese firms over the later 2000s (e.g., Ane, 2012; Tang and Li, 2009; Zeng et al., 2010) similarly find low levels of reporting quality.

rational, resource-dependence perception common in the social and environmental accounting literature (see, e.g., Deegan, 2002; Milne & Patten, 2002) to a more subtle form which is influenced by a mixture of factors more complex than deliberate managerial decision-making. Neo-institutional theory provides an alternative, albeit complementary, perception of various social dynamics to explore how different institutional factors, such as coercive, mimetic and normative isomorphism, influence organizational practices. As argued by Bebbington et al. (2009, p. 589), 'institutional approaches tend to move away from considering organizational activities as something managers purposely initiate to achieve carefully considered outcomes, and focus instead on the shaping effects of social pressure."

With respect to SER, Larrinaga-Gonzalez (2007, p. 155) argues that the practice "could become institutionalized, determining to some extent the choice of organizations in terms of whether or not to publish a [CSR] report and how to publish it." He further claims it is a combination of coercive, normative, and mimetic structures and activities that describe "what type of reporting is produced, by who, for whom and with what assumed purpose" (Larrinaga-Gonzalez, 2007, p. 155).[5] Following Scott (1995), Larrinaga-Gonzalez (2007, p. 155) defines the coercive pillar as based on "rule-setting, monitoring, recompense and punishment," and he notes that it includes factors such as the enforcement of legislation or the exercise of power. Normative pressures, according to Larrinaga-Gonzalez (2007) result from values and norms, and he further cites DiMaggio and Powell's (1983) argument that professionalization, formal education and professional networks help to create normative isomorphism. Finally, Larrinaga-Gonzalez identifies imitation (mimetic processes) as the third pillar of institutional isomorphism.

[5] Larrinaga-Gonzalez (2007) actually uses the term 'regulative' rather than 'coercive' and 'cognitive' as opposed to 'mimetic' although he notes that they represent the same general neo-institutional constructs and are based on the difference in word choice across DiMaggio and Powell (1983) and Scott (1995).

He notes that "organizations imitate those peer organizations that seem to be more successful and legitimate" (Larrinaga-Gonzalez, 2007, p. 159).

While most investigations of SER in the accounting domain tend to adopt either a legitimacy theory or stakeholder theory perspective, a growing body of work relies on neo-institutional theory arguments. For example, Kolk (2005) examines changes in environmental reporting across Global 250 companies from Europe, Japan, and the U.S. and argues that the increases in the first two regions in comparison to the third are a reflection of differing levels of governmental encouragement, as well as a less litigious societal tradition. Focusing on a different aspect of institutional pressure, Cormier et al. (2005) explore variation in environmental disclosure quality for a sample of German firms and claim that differences, while partially owing to economic incentives and public pressures, also appear to be a function of both imitation and routine.

In contrast to the quantitative analyses of Kolk (2005) and Cormier et al. (2005), Herremans et al. (2009) rely on both archival and interview-based data to examine changes in environmental reporting[6] for a sample of Canadian petroleum companies in response to changing societal concerns with the industry's environmental performance. Herremans et al. (2009, p. 455) document that the firms tended to split into separate camps designated by the authors as 'leaders' and 'laggards' and that a perceived difference in institutional pressures appeared to explain the division. They note "leading firms generally operate in a more international context more attuned to changing social expectations," while laggards "attended only to selected signals from their immediate geographic context (e.g., shareholder demands, political ideology)" (Herremans et al., 2009, p. 464). The authors further document a substantial difference in the attitudes of leaders and laggards toward environmental reporting. Leaders were shown to see it

[6] Herremans et al. (2009) also analyze changes in other environmental actions by the petroleum companies.

as "part of being transparent and engaging stakeholders," whereas laggards "were unwilling to do anything not required as regulation and did not believe that reporting led to better management" (Herremans et al., 2009, p. 461). Finally, and again relevant to institutional theory arguments, Herremans et al. also claim that the existence of only a weak industry association further added to the differentiation in response across firms.

Perhaps most relevant to our investigation, Bebbington et al. (2009) focus on six New Zealand companies that participated in a New Zealand Business Council for Sustainable Development (NZBCSD) workshop series on initiating sustainable development reporting. Data were gathered through (1) semi-structured interviews with workshop participants, (2) participation in, and observation of, the workshops themselves, and finally, (3) an interview with the workshop designer and facilitator. Bebbington et al. (2009, p. 612) note that "a variety of regulative, normative, and cognitive institutions are exerting varying degrees of coercive, normative, and mimetic pressure on companies to report." However, while all of the sample participants noted coercive pressures, the source of these pressures varied across the NZBCSD, external ratings agencies, overseas suppliers, and the demands of owners. Importantly, Bebbington et al. (2009, p. 612) also report "a more subtle interplay of normative and cognitive institutions at work." Finally, Bebbington et al. (2009, p. 613) claim that, while sustainable development reporting appears to be moving toward institutionalization, the content of what gets reported appears to be decoupled from broader concepts of CSR. They note, for example, that rather than accountability or social justice, participants instead viewed the reporting as being about stakeholders, reputation, and risk.

.Although not exploring SER practices, several recent studies extend neo-institutional theory through examinations of organizational responses to institutional change. For example, Ezzamel et al. (2012) investigate differences in budgetary techniques across three different local education authorities in the U.K resulting from the introduction of a new business logic regarding budgeting practices. They note (p. 284) that institutional logics consist of "linked material (practices) and symbolic (meanings) elements that work together to constitute a particular type of institutional order." Focusing on the micro-foundations of institutional change, Ezzamel et al. (2012, p. 301) document how differences in competing logics (e.g., differences in governmental make-up within the authority region) help to explain "different responses and understandings." From a slightly different perspective, Lepoutre and Valente (2012) perform a case analysis of nine firms engaged in the Belgian ornamental horticulture industry to assess what explains differences in the response to the introduction of a new logic focusing on "proactive environmental strategies and transparent reporting about organizational environmental impacts" (p. 289). Based on their analysis, Lepoutre and Valente argue that while having organizational-level material structures conducive to the emerging logic are necessary for breaking away from the dominant logic of the industry, such change also requires what they refer to as "cognitive and symbolic immunity". They argue (pp. 302-303) that "the interplay among rules, norms, and commonly held beliefs, drives an organization to isomorphism with the dominant logic," and therefore, unless managers framed the emerging logic "as part of an espoused future," deviation did not occur. Finally, and somewhat similar to Lepoutre and Valente (2012), Lander et al. (2013) explore differences in the conformity of mid-tier accounting firms to the movement in the profession from a trustee to a commercial logic. They note (p. 138) "the two logics present contradicting demands on how firms should organize themselves in terms of strategy, structure, systems and processes," and based on an analysis of 11 mid-tier firms in the Netherlands, Lander et al. report that while the companies generally retained a commitment to the trustee logic, they found “great divergence in the practices these firms adopt and resist” (p. 142). In general, all three of the studies focusing on the impacts of institutional changes suggest that the emergence of competing logics does not uniformly lead to isomorphic behaviors and beliefs within the affected organizations.

Our Investigation

The prior studies of SER from a neo-institutional perspective as well as the investigations focusing on changing institutional logics suggest that the theory provides a valuable lens through which to explore the practice of SER. As such, given the substantial shift in government perspective (an emergent institutional logic) and the recent growth in CSR reporting in China, we attempt in this examination, using interview data and a qualitative analysis, to better understand Chinese managers’ perceptions of SER. However, given the exploratory nature of our study and the possible confounding effects of different ownership structures and geographic locations, we limit our investigation to SOEs headquartered in Beijing.

We focus on SOEs both because they represent the dominant business form for publicly listed companies in China and because their unique relations with the government suggest potentially interesting institutional pressures for reporting. According to Marquis and Qian (2014), as recently as 2008 more than 60 percent of the listed firms on the Shenzhen and Shanghai Stock Exchanges were SOEs (as opposed to privately controlled companies). Marquis and Qian (2014, p. 129) also note that while the SOEs “have sold shares to outside investors, the government still maintains considerable ownership and control of these firms.” They thus argue that SOEs, due to their government ownership, have more legitimacy with the state and would therefore be less likely to need to engage in SER as a means of seeking legitimacy. In contrast to this expectation, however, their empirical investigation of CSR reporting over the 2006-2009 period finds that SOEs are just as likely to issue SERs as firms under private control. They suggest that one possible explanation for this result is that the SOEs may be responding to control-based coercive pressure for reporting. Interview-based data gathered from managers of SOEs thus allows us to explore whether the governmental coercive pressures, or other institutional-based pressures, potentially explain the CSR reporting by these organizations.

Finally, we focus on companies headquartered in Beijing to eliminate potential confounding effects of geographical differences. Redfern and Crawford (2010, p. 222) note that the various regions of China are "culturally, politically, and historically diverse," and these differences could potentially affect managerial perceptions of SER. We focus on companies from Beijing partly because it is recognized as one of the leading economic centers in China (see, e.g., Lai, 2012; Sun and Wen, 2007), but more so due to our interest in the governmental influences on SER. Zhao (2003, p. 556) argues that Beijing, as the traditional base of central government in China, offers companies headquartered there spatial advantages relative to their access to "regulatory information" which he claims is essential for doing business in China, and this could be expected to influence differences in the perception of institutional pressures for SER.

Overall, we seek answers to the following research questions:

RQ1: Do institutional pressures influence SER in China?

RQ2: Do managerial perceptions of the purposes for SER in China explain its low quality?

Methods

Sample

We focused our investigation on managers from SOEs headquartered in Beijing that had, as of 2009, engaged in CSR reporting. In order to further reduce potential conflicts in the interpretation of data, we limited our study to firms from the energy and banking and financial services industries.[7] We identified potential interview participants' names for initial contact from the sample organizations' websites focusing on managers involved in the SER process. There were two key reasons for this selection criterion. First, we expected individuals at a managerial level to have a general knowledge of their organization's operations and thus they were considered as being able to address the general interview questions. Second, because of their involvement in the process of initiating, preparing, or publishing the SERs, we believed they would have in-depth perceptions regarding the issue of CSR reporting, not only within their own firms, but within the broader Chinese context as well.

Formal interview invitation letters were sent via email. The letters included a brief introduction of the interviewer's background, together with a short description of the research study and the key topics to be addressed. This allowed each potential participant the opportunity to consider the areas to be discussed in advance of the interviews and to ask for any clarification required. Candidate organizations that failed to respond to the email were contacted by phone. Overall, 14 individuals from nine different organizations (five energy firms and four banking and financial services companies) agreed to participate in the study.[8] All participants indicated they were involved in the SER process at their respective companies, and Table 1 identifies the positions held by the interviewees.

---------- Table 1 about here ----------

[7] We chose these industry groups because one (energy) is typically considered to be more environmentally sensitive while the other (banking and financial services) is not, and prior research into SER consistently shows this industry classification appears to impact CSR reporting (see, e.g., Patten, 1991; 2002). As we identify in our analysis of the interview data, however, we found little difference in perceptions of SER across the industry groups, in spite of recent findings that disclosure itself does vary across industry classification (both Ane, 2012 and Zeng et al., 2010, for example, present evidence that CSR reporting differs across industry groups in China).

[8] Due to our promise of anonymity, we refer to our sample organizations using only general references (i.e., E1, E2, . . . BF3, BF4).

Interview Process

All interviews were conducted in Chinese by the lead author, and all were carried out at the organizations' corporate headquarters. One interview took place during February of 2009 and the rest were conducted over the period from June through September of that year. This was the period of rapid growth in CSR reporting in China, and as such, we believe it to be an ideal time for gathering managerial perceptions of SER practices with respect to the changing institutional environment. All interviews were face-to-face and semi-structured in nature, and they ranged from 50 minutes to one hour and 15 minutes in duration (except one interview, which lasted two hours and 30 minutes). The interviews were recorded and subsequently transcribed, and they focused primarily on (1) the perceived sources of pressures for companies to undertake SER, and (2) perceptions of the purposes for SER. Extensive notes were also taken during, and immediately after, each of the interviews.

Coding and Analysis

Following transcription, the lead author read through the transcripts five different times focusing on identification of key themes, topics, and issues. These were related back to the notes taken during the interview process leading to the development of narratives of how and why each sample company initiated SER practices. Using matrices and charts (Miles and Huberman, 1994), the lead author identified where similar constructs within the data emerged, and these themes, along with relevant supporting quotes from the respondents, were translated into English. The coding, summarized points from each interview, and supporting quotes were then shared with the second member of the research team. Following independent assessments of the data, the team members worked together in an iterative process (Ahrens and Chapman, 2007;

Albelda, 2011) to refine the evidence into meaningful classifications across the research questions explored.

Interview Findings

Sources of Pressure for Reporting

Our initial research question focuses on understanding the role that institutional pressures play with respect to SER practices by SOEs in Beijing. Based on the interviewee responses, it was apparent that managers from the sample firms were cognizant of the changing governmental pressures with respect to their social and environmental *performance*. Particularly within the energy companies, the word 'exposure' was often repeated, and the need to conform to regulations was seen as a major concern. For example, one of the energy firm representatives noted:

> --- Operating in the highly sensitive energy industry is not easy. Our operational practices are closely monitored by various regulations and standards [Organization E1].

Another energy firm manager further stated that performing in accord with all environmental regulations was "the minimum we try to achieve" [Organization E5]. Importantly, the concerns with regulations were not limited to the energy firms. One of the banking and financial services company interviewees acknowledged this:

> --- Being a SOE, we keep ourselves informed of any changes in the relevant laws and regulations as they could have a huge impact on us. For instance, we could easily be banned from borrowing or raising money on the capital market if behaviors damaging the environment were spotted [Organization BF4].

However, while almost all of the interview participants acknowledged, at least to some degree, governmental pressures, several of the managers attributed the source of this exposure as lying more with the general public. For example, one energy company respondent noted:

> --- Government may be an important influence, but behind it is the public. For us, the government is only a representative of the public [Organization E4].

Another firm representative stated:

> --- We are one of the largest energy corporations in China. Naturally [we are] more exposed to the general public. I think most people believe that we have the ability to do more to be a better company. Therefore, for some CSR regulations and guidelines, we would rather take it than ignorance [and I feel] the government expects us to do the exact same thing [Organization E1].

Although the government was consistently cited as a source of pressure for CSR performance, SOE managers unexpectedly did not see it as a source of coercive pressure for social and environmental *reporting*. One of the banking and financial services company participants explicitly claimed:

> --- I do not feel that we were really subjected to strong pressure from the government . . . SER is an outcome of a company growing to a certain degree [Organization BF2].

Similarly, an energy firm manager noted:

> --- Our first [CSR] report was published . . . ahead of any government official guidelines or regulation. In fact, for us, publishing the SER was not initially required by any governmental bodies. Later on, we became aware of official SER guidelines and we are now following them, so I would say that the government issuing documents as such is a direction rather than pressure, at least on companies like ours [Organization E3].

This view of the government as a facilitator was often tied to the nature of the firms as being SOEs and this was reiterated by a number of the sample participants. Further, this role as a facilitator was not limited to the practice of SER, but included other aspects of CSR activities as well, and these, in turn seem to have helped in the development of SER for at least some firms. For example, a participant from an energy organization noted his firm's participation in a CSR management pilot program that preceded publication of the company's first SER:

> --- As a SOE, we were inspired by the government to participate in the pilot project which made us realize that our CSR goals should be aligned with our actions [Organization E5].

The manager went on to explain that he believed the progress in overall CSR management was an important step toward the initiation of CSR reporting.

This is not to say that SOE managers perceived no coercive pressures for CSR reporting. Indeed, within the banking and financial services industry, representatives from all four firms cited the China Banking Regulatory Commission (CBRC) as a source of coercive pressure. The CRBC has been active in promoting SER activities, and in 2007, held a conference meeting with the Big Four Chinese national banks to promote the idea of publishing SERs. As stated by one of the firm managers:

> --- By attending the meeting, we definitely sensed the need of publishing reports [SERs]. I am not saying it was mandatory, but it was something that the CBRC wanted us all to do [Organization BF3].

Participants from all four banking and financial services companies also cited the Shenzhen Stock Exchange's "Social Responsibility Guidelines for Listed Companies" (issued in 2006) as likely being one of the triggers for the rapid increase in the publication of SERs in China.

Rather than coercive pressures from the government and other sources as the primary driver of CSR reporting by the sample of SOEs in Beijing, managers from both industry groups identified affiliations with other companies as a major source of both guidance and pressure regarding SER. Indeed, during the interviews, one of the most frequently used words was 'peer'. As noted by one of the energy firm participants:

> --- It is important for us to be aware of what is happening in other organizations and in the industry as a whole [Organization E2].

However, no clear picture emerged as to whether the industry affiliations could be considered more normative or more mimetic in nature. Within the energy firms, for example, several participants noted the supportive role the industry offered with respect to reporting. For instance, one manager stated:

--- This sector has, and has had for a long time, a focus on dealing with social and environmental issues. Since 2005, there have been a lot of discussions [on SER practices]. However, to publish SERs was never mandatory [Organization E4].

Such a view would appear to support a normative interpretation of the institutional pressures. But in contrast, there were also instances where mimetic isomorphism clearly played a role. For example, the representative from an energy firm noted:

--- We were one of the first [companies] to report. However, what we could see was that, although our Chinese peers did not publish SERs, our international peers such as BP and Shell were very actively involved in disclosing social and environmental information. Frankly speaking, from top to bottom throughout our company, we have been taught that we are trying to be a world class corporation in our industrial sector. Therefore, learning from other international competitors has become a major task for us. We have studied the reports of BP and Shell over the past few years [Organization E1].

Further reflecting mimetic tendencies, the manager from another of the energy companies specifically noted that their initiation of SER practices had been influenced by Organization E1's first report, largely because it had been praised by the central government.

Within the banking and financial services sector, interview data also indicates evidence of both mimetic and normative pressures for CSR reporting. With respect to the former, one of the sample participants noted:

--- When you are trying to be the best, you ought to seek to match the performances of the companies which are doing well, and most of them produce SERs, so we need to do the same [Organization BF2].

Echoing a similar sentiment, another banking and financial services respondent stated:

--- We realized that the need for SER practices was increasing dramatically, and the Big Four banks consequently published their SERs. We wanted to be one of the best organizations in the industry and to learn from the best practices. Therefore, I believe that gave us the inspiration to produce our first report [Organization BF1].

However, the industry influences on SER within the banking and financial services sector also had normative elements. Respondents from all four sample organizations highlighted the role that industry associations, particularly the CRBC and the China Banking Association (CBA), played with respect to offering formal education on CSR topics including the promotion of SER practices. To illustrate, the CBA helped to organize an annual CSR convention to allow firms to share their experiences with respect to SER. One of the firm managers noted this stating:

> --- The CBA invited us to work together on the [CSR] convention after our first SER was published. Our initial purpose was to promote CSR and SER and, over the years, we have seen significant results in the number of CSR reporters and the many organizations that take part in various CSR activities [Organization BF3].

Finally, it is important to note that interview participants also identified peer influences arising from other SOEs (not necessarily located in the same industry or even the same geographic zone). An energy firm manager stated, for example:

> --- We are one of the largest natural energy organizations in China. In our mind, we like to consider ourselves a state-owned company when doing things. This is one of the reasons why we not only take into account what happens within our industry but also the issues that emerge from other SOEs [Organization E5].

Representatives from this firm went on to acknowledge that it was the issuance of SERs by other SOEs, and not just energy industry companies, that inspired them to publish their own report. However, in general, interviewees tended to see the pressures from SOEs as being less direct than the pressures arising from their peers within the same industries.

Purpose for Reporting

With respect to our second research question, a major observation emerging from our analysis of interview data is that managers in SOEs in Beijing were very consistent in their perceptions of the purpose for CSR reporting, but that they tended to see it differently when discussing SERs from their own firms as opposed to those of other companies. Almost all of the organizational participants believed that SERs represented a good way for their companies to deal with high expectations/pressures, and perhaps owing to the belief that the public was a major source of pressure for CSR performance, many of the managers indicated that the reporting was particularly important for targeting that audience. One manager stated, for example:

> --- public perception is very important for our company and we are trying our best to build a positive public image" [Organization E4].

Interestingly, when discussing their own firms' use of SERs, almost all of the interviewees expressed the belief that the reporting was needed to communicate the message that the companies were positively engaged in social and environmental activities. For example, the interviewee from one of the energy firms claimed:

> --- We have been acting in line with the CSR agenda for a long time and, at the time [of producing their first report], the task was to report this, and to do so in a way that people could easily understand [Organization E1].

Similarly, the representative of another organization stated:

> --- It had reached the point where we realized we needed to send out a message. Doing things in silence just didn't work anymore. That's when we thought about publishing SERs [Organization E5].

This representative further added "publishing SERs is a way for us to manage and to disclose our CSR activities" [Organization E5]. This perception was not limited to the energy company managers. A representative of one of the banking and financial services firms claimed, for example:

> --- [CSR reporting] is a formal and systematic instrument for others to understand what we are doing, and it is the right way to do it [Organization BF3].

Unfortunately, and this may help explain the low quality of disclosure identified in virtually all of the quantitative assessments of CSR reporting in China, while the respondents seemed to believe the reporting was necessary to communicate a message about the firms' underlying CSR activities, none of the managers addressed the potential of the reports for providing transparent and meaningful social and environmental data that would allow users to assess performance across firms. Further, several of the participants did acknowledge the potential for the reports to be used in disingenuous ways, but only when discussing the reporting as it applied to other firms. As stated by a banking and financial services manager, “there are people out there who use it [SER] as a marketing strategy for promoting their service or products” [Organization BF 4]. One of the energy firm participants identified a different concern:

> --- I think there possibly are some organizations that do as little as possible [in terms of CSR practices], but are just good with clever words. Is anything actually as good as it looks behind the scenes [Organization E1]?

Discussion

Our first research question centered on managers’ perceptions of pressures regarding SER. Higgins and Larrinaga (2014, p. 281), in their recent overview of institutional theory and its relation to SER, address how the practice “can be regarded as resting on a range of intersecting regulatory, normative, and cognitive institutional pressures,” and they illustrate this point with examples from, almost exclusively, the more developed Western world. They note, for example, that regulatory pressures emanating from the European Union’s Eco-Management and Audit Scheme influenced the spread of environmental reporting in Europe, while seemingly voluntary actions such as becoming signatories to the United Nations’ Global Compact are often a result of the normative pressures “spread through professionalization, formal education, and professional networks” (Higgins and Larrinaga, 2014, pp. 277-278). Finally, they also note (p. 279) that, while “the existence of cognitive structures can be difficult to prove empirically,” both the growth of standalone reporting amongst the world’s largest firms and the adoption of GRI stand as evidence of practices that have “become ‘normal’ and ‘taken-for-granted’” leading to mimetic behavior across companies.

In spite of the differing political and market development in China, the SOE managers we interviewed clearly see similar aspects of institutional pressure as influencing the adoption and growth of SER in their own country. Regulatory guidance from both the Shanghai and Shenzhen Stock Exchanges, as well as the desire for reporting from the CBA were both specifically cited as coercive pressures of a regulatory nature. Further, and particularly within the banking and financial services industry, the managers expressed a sense of normative pressure resulting from both the educational efforts of industry organizations, but also from peer institutions including other SOEs in other industry settings. And while, as of 2009, the managers may not have explicitly expressed SER as a taken-for-granted activity, they certainly interpreted the actions of peer institutions as bringing pressures on their organizations to adopt the practice. Importantly, and consistent with the findings of Bebbington et al. (2009) regarding institutional pressures in New Zealand, the Chinese managers seemed to perceive a subtle interplay of the coercive, normative, and mimetic forces at play with respect to the adoption and development of SER within their firms. Accordingly, it appears that, even within China's differing social-economic context, institutional theory provides a rich lens for understanding SER practices.

However, it is important to highlight that the interviews also revealed findings that were somewhat unexpected. Perhaps foremost among these is that, contrary to the conjectures of Marquis and Qian (2014), the interviewees from the SOEs in Beijing did not view the government as exerting substantial coercive pressures for CSR reporting. Instead, the state was seen as playing more of a facilitating role. One possible explanation for this perception by the managers is that, as noted by Marquis and Qian (2014, p. 145), almost all of the government-issued directives use language such as 'guidelines/guides', 'recommended practices', and 'outlines', as opposed to 'policies' or 'enforcement/regulations'. As such, managers may perceive them as lacking coercive force. Alternatively, the interviewees' view that government plays a more normative role with respect to SER could be a function of the unique nature of SOEs as quasi-governmental organizations (Gao, 2011). Marquis and Qian, (2014, p. 129) note, for example, that "the government still maintains considerable ownership and control of these firms," and accordingly, the line between internal ownership and outside regulatory pressures is likely not distinct.

In contrast to our expectation that regulatory pressures from government would be a primary driver of SER within the Chinese firms, our interviews instead suggest that the dominant source of pressures for the practice seems to emanate largely from peer institutions. And while several interview participants identified SOEs from outside of their industry as having impacted SER practices, the peer influences were substantially stronger within the industry groups. Particularly interesting in this regard, the heavily cited influence of industry associations within the banking and financial services sector stands in sharp contrast to the situation cited by Herremans et al. (2009) for the Canadian petroleum industry.

Our second research question focused on the Beijing managers' perceptions of the purpose for CSR reporting, and a major finding is that almost all interviewees believed it was important for communicating a message about firms' social and environmental initiatives. Importantly, the audience for that message was often stated as the public in general. The concern that these perceptions raise is that managers view the reporting as a tool of image enhancement as opposed to a medium for providing transparent information to allow users to assess actual social and environmental performance across firms, and this may help to explain the low quality of reporting documented in assessments of the disclosure.[9] For example, Guan and Yu (2011)

[9] Of course, it is important to note that similar concerns have been levied against CSR reporting in Western contexts. For example, Spence (2009, p. 209) notes that CSR disclosure has been criticized for cherry picking good news,

noted one of their concerns with the quality of reporting was the low inclusion of performance indicators, and supporting this claim, Liu and Anbumozhi (2009, p. 597) indicate that disclosure of "type, quantity, and destination of emissions and effluents" was the category of information provided by the fewest companies in their sample (only about 10 percent of the firms did so). If managers view CSR reports as a vehicle for enhancing their public image, it seems unlikely that they will choose to provide metrics that may portray their performance in a negative light. Again similar to Bebbington et al. (2009), this suggests that in China, as in New Zealand, the reporting has been decoupled from broader concepts of CSR. It is also interesting that, when discussing their own firms' use of the disclosure, the managers uniformly focused on its benefit for informing users of actual aspects of their companies' social and environmental impacts, but several of the participants, when reflecting on reporting by other firms, recognized its potential to be used in manipulative and misleading ways.[10]

Given the findings discussed above, we believe that improving the quality of CSR reporting in China may depend on changing managers' perceptions of its purpose. As long as the practice is seen primarily as a tool for projecting a positive image of companies' social and environmental impacts, it seems unlikely that firms will ever be willing to meaningfully disclose, in a transparent way, their real CSR performance. Changing these attitudes, however, will likely be difficult. However, we also believe that our analysis regarding the pressures managers see for SER suggests two potentially important ways for moving in that direction. First, given the finding that industry associations were viewed as major sources of both coercive and normative

---

ignoring "more fundamental social issues such as wealth redistribution, [and refusing] to undertake overall environmental impact analysis, instead preferring to focus on disaggregated data and efficiency measures." Cho et al. (2012), focusing on stand-alone CSR reporting in the U.S., thus refer to the reports as tools of image enhancement.

[10] This 'halo effect' has also been identified in investigations of CSR disclosure in Western contexts (see, e.g., O'Dwyer, 2002).

pressures, it seems apparent that they should continue to provide guidance and support for SER, but should push companies to move toward adoption of more comprehensive measures of social and environmental performance, such as those proffered by the Global Reporting Initiative. Second, the perceived lack of coercive pressures from the government for SER practices suggests that more authoritative pronouncements might be necessary to better send the message that the reporting needs to reflect more relevant and meaningful measures of companies' social and environmental performance.

Finally, it is worth noting that the large degree of homogeneity we found across the managers' perceptions regarding both the pressures for, and the purposes of SER stands in contrast to the findings of the explorations of institutional change in other settings. Indeed, rather than instances of nonconformity, we find instead almost uniform acceptance of the push for SER. And while this may help to explain the explosive growth of the practice in China over the mid-2000s, it also may reflect the substantial differences in the social/political arrangement in China vis-à-vis the European settings explored in Ezzamel et al. (2012), Lepoutre and Valente (2012), and Lander et al. (2013). As noted by Sheng et al. (2011, p. 3), "the Chinese government still controls a significant portion of scarce resources, such as land, bank loans, subsidies and tax breaks," and accordingly, being perceived by government officials or agencies as engaging in actions that are "desirable and proper" are important for firms' legitimacy with the state. Thus the top-down emphasis on SER through the government and other quasi-state organizations such as the Shanghai and Shenzhen Stock Exchanges may be more effective in inducing conformity across actors than would be the case in other settings. Of course, our focus on SOEs headquartered in Beijing may further amplify this effect given the closer ties these organizations likely have with the central government (Marquis and Qian, 2014).

Conclusion

The exploration of the motivational factors behind CSR reporting practices is an important research tradition within the social and environmental accounting literature (O'Dwyer and Owen, 2005), but, to date, the investigations have focused almost exclusively on the more developed Western world. In this study, we extend prior research by examining the managerial perception of social and environmental reporting practices in China. Owing largely to a shift in governmental emphasis, Chinese company SER grew dramatically over the mid-2000s, and our intent was to better understand company perceptions regarding the practice. Following other recent investigations of corporate reporting (e.g., Bebbington et al., 2009; Herremans et al., 2009), we applied the lens of neo-institutional theory to gain insights into the initiation of SER practices in the Chinese setting.

Based on interviews with managers from nine different SOEs headquartered in Beijing, our analysis suggests that, similar to CSR reporting in more developed economies, a variety of coercive, normative, and mimetic pressures interplay to influence the practice in the Chinese SOEs. The managers cited regulatory pressure for reporting from, for example, industry associations and other quasi-governmental organizations including the country's primary stock exchanges. Interestingly, however, the government itself was seen by the managers as more of a facilitator of SER than as a source of coercive pressure. Normative and mimetic pressures, particularly those arising from peer organizations, were also cited as major influences on the adoption of SER by our sample managers. Further, and potentially explaining the low quality of reporting documented in prior studies (e.g., Guan and Yu, 2001; Liu and Anbumozhi, 2009; Yu et al., 2011), we found that the managers almost uniformly see the purpose of CSR disclosure as being about image enhancement. Ultimately, improving the reporting, therefore, may require inculcating a different message about what CSR reporting should be about, and given the unique nature of the relationship between SOEs and the government, we believe that the government and its organizations must be the primary source of that message. However, because the managers we interviewed perceived the public as the ultimate source of pressure for improvements in their social and environmental performance, we believe society itself must also play a role in stressing the need for better company accountability. Accomplishing that in an environment where social expressions are still closely guarded, however, may prove difficult.

Like all studies, ours is subject to limitations. We explore the perceptions of managers from a limited number of similar firms, and as such, the degree to which our findings generalize to other companies cannot be assessed. Further, our findings that managerial perceptions tend to be fairly uniform across our two industry groups suggests that status as an SOE and/or being headquartered in Beijing may play a greater function than industry membership in the formation of organizational fields (see, DiMaggio and Powell, 1983) within the Chinese setting. While beyond the scope of our investigation, more detailed analysis of the formation and existence of organizational fields in China would be potentially enlightening. Similarly, given the historic, cultural, and economic differences across regions of China (Redfern and Crawford, 2010), as well as the differences in governmental ties for privately controlled firms relative to the SOEs, exploring the perceptions of managers from other regions and for other types of firms in China could potentially also yield interesting results.

References

Ahrens, T. and Chapman, C. (2007). "Management accounting as practice." *Accounting, Organizations and Society*, Vol. 32, Nos. 1/2, pp. 1-27.

Albelda, E. (2011). "The role of management accounting practices as facilitators of the environmental management: evidence from EMAS organisations." *Sustainability Accounting, Management and Policy Journal*, Vol. 2, No. 1, pp. 76-100.

Ane, P. (2009). "An assessment of the quality of environmental information disclosure of corporation in China." *Systems Engineering Procedia*, Vol. 5, pp. 420-426.

Bebbington, J., Higgins, C., and Frame, B. (2009). "Initiating sustainable development reporting: evidence from New Zealand." *Accounting, Auditing and Accountability Journal*, Vol. 22, No. 4, pp. 588-625.

Carpenter, V. L. & Feroz, E. H. (2001). "Institutional theory and accounting rule choice: an analysis of four US state governments' decisions to adopt generally accepted accounting principles." *Accounting, Organizations and Society,* Vol. 26**,** Nos. 7/8, pp. 565-596.

Cho, C. H., Guidry, R. P., Hageman, A. M., and Patten, D. M. "Do actions speak louder than words? An empirical investigation of corporate environmental reputation." *Accounting, Organizations and Society*, 2012, Vol. 37, No. 1, pp. 14-25.

Cormier, D., Magnan, M., and Van Velthoven, B. (2005). "Environmental disclosure quality in large German companies: economic incentives, pubic pressures, or institutional conditions?" *European Accounting Review*, Vol. 14, No. 1, pp. 3-39.

Deegan, C. (2002). "Introduction: the legitimising effect of social and environmental disclosures – a theoretical foundation." *Accounting, Auditing and Accountability Journal*, Vol. 15, No. 3, pp. 282-311.

DiMaggio, P. J. and Powell, W. W. (1983). State expansion and organizational fields. In R. H. Hall and R. E. Quinn (Eds.), *Organizational Theory and Public Policy*, Beverly Hills, CA: Sage.

Ezzamel, M., Robson, K., and Stapleton, P. (2012). "The logics of budgeting: theorization and practice variation in the educational field." *Accounting, Organizations and Society*, Vol. 37, No. 5, pp. 281-303.

Gao, Y. (2011). "CSR in an emerging country: a content analysis of CSR reports of listed companies." *Baltic Journal of Management*, Vol. 6, No.2, pp. 263-291.

Guan, Z. and Yu, Z. (2011). "A study of corporate social responsibility reports in China." *The China Nonprofit Review*, Vol. 3, No. 2, pp. 171-193.

Herremans, I. M., Herschovis, M. S., and Bertels, S. (2009). "Leaders and laggards: the influence of competing logics on corporate environmental action." *Journal of Business Ethics*, Vol. 89, No. 3, pp. 449-472.

Higgins, C. and Larrinaga, C. (2014). "Sustainability reporting: insights from institutional theory." In J. Bebbington, J. Unerman, and B. O'Dwyer (Eds.), *Sustainability Accounting and Accountability,* 2nd Edition, London: Routledge, pp. 273-285.

Kolk, A. (2005). "Environmental reporting by multinationals from the Triad: convergence or divergence?" *Management International Review*, Vol. 45, No. 1, pp. 145-166.

Lai, K. (2012). "Differentiated markets: Shanghai, Beijing, and Hong Kong in China's financial centre network." *Urban Studies*, Vol. 49, No. 6, pp. 1275-1296.

Lander, M. W., Koene, B. A. S., and Linssen, S. N. (2013). "Committed to professionalism: organizational responses of mid-tier accounting firms to conflicting institutional logics." *Accounting, Organizations and Society*, Vol. 38, No. 2, pp. 130-148.

Larrinaga-Gonzalez, C. (2007). "Sustainability reporting: insights from neoinstitutional theory." In J. Unerman, J. Bebbington, and B. O'Dwyer, (Eds.), *Sustainability Accounting and Accountability*, London: Routledge, pp. 150-167.

Lepoutre, J. M. W. N. and Valente, M. (2012). "Fools breaking out: the role of symbolic and material immunity in explaining institutional nonconformity." *Academy of Management Journal*, Vol. 55, No. 2, pp. 285-313.

Liu, X. and Anbumozhi, V. (2009). "Determinant factors of corporate environmental information disclosure: an empirical study of Chinese listed companies." *Journal of Cleaner Production*, Vol. 17, No. 6, pp. 593-600.

Marquis, C. and Qian, C. (2014). "Corporate social responsibility in China: symbol or substance?" *Organization Science*, Vol. 25, No. 1, pp. 127-148.

Meyer, J. W. and Rowan, B. (1977). "Institutionalized organizations: formal structure as myth and ceremony." *The American Journal of Sociology,* Vol. 83**,** No. 2, pp. 340-363.

Miles, M. B. and Huberman, M. (1994). *Qualitative Data Analysis : An Expanded Sourcebook (2nd Edition),* Thousand Oaks, CA : Sage.

Milne, M. J. and Patten, D. M. (2002). "Securing organizational legitimacy : an experimental decision case examining the impact of environmental disclosures." *Accounting, Auditing, and Accountability Journal,* Vol. 15, No. 3, pp. 372-405.

Noronha, C., Tou, S., Cynthia, M. I., and Guan, J. J. (2013). "Corporate social responsibility reporting in China: an overview and comparison with major trends." *Corporate Social Responsibility and Environmental Management*, Vol. 29, No. 1, pp. 29-42.

O’Dwyer, B. (2002). “Managerial perceptions of corporate social disclosure: an Irish story.” *Accounting, Auditing and Accountability Journal*, Vol. 15, No. 3, pp. 406-436.

O'Dwyer, B.; Owen, D. (2005). "Assurance Statement Quality in Environmental, Social and Sustainability Reporting: A Critical Evaluation of Leading Edge Practice", *British Accounting Review*, Vol.37 No. 2, pp.205-229,

Patten, D. M. (1991). “Exposure, legitimacy, and social disclosure.” *Journal of Accounting and Public Policy*, Vol. 10, No. 4, pp. 297-308.

Patten, D. M. (2002). “The relation between environmental performance and environmental disclosure: a research note.” *Accounting, Organizations and Society*, Vol. 27, No. 8, pp. 763-773.

Redfern, K. and Crawford, J. (2010). “Regional differences in business ethics in the People’s Republic of China: a multi-dimensional approach to the effects of modernisation.” *Asia Pacific Journal of Management*, Vol. 27, No. 2, pp. 215-235.

Scott, W. R. (1995). *Institutions and Organizations*, Beverly Hills, CA: Sage.

See, G. (2009). “Harmonious Society and Chinese CSR: is there really a link?” *Journal of Business Ethics*, Vol. 89, No. 1, pp. 1-22.

Sheng, S., Zhou, K. Z., and Li, J. J. (2011). “The effects of business and political ties on firm performance: evidence from China.” *Journal of Marketing*, Vol. 75, No. 1, pp. 1-15.

Spence, C. (2009). “Social accounting’s emancipatory potential: A Gramscian critique.” *Critical Perspectives on Accounting*, Vol. 20, No. 2, pp. 205-227.

Sun, Y. and Wen K. (2007). “Uncertainties, imitative behaviours and foreign R&D location: explaining the over-concentration of foreign R&D in Beijing and Shanghai within China.” *Asia Pacific Business Review*, Vol. 13, No. 3, pp. 405-424.

Tagesson, T. (2007). “Does legislation or form of association influence the harmonization of accounting? A study of accounting in the Swedish water and sewage sector.” *Utilities Policy,* Vol. 15**,** No. 4, pp. 248-260.

Tang, L. and Li, H. (2009). “Corporate social responsibility communication of Chinese and global corporations in China.” *Public Relations Review*, Vol. 35, No. 3, pp. 199-212.

Wiseman, J. (1982). “An evaluation of environmental disclosures made in corporate annual reports.” *Accounting, Organizations and Society*, Vol. 7, No. 1, pp. 53-63.

Yu, Z., Jian, J. and He, P. (2011). "The study on the correlation between environmental information disclosure and economic performance – with empirical data from the manufacturing industries at Shanghai Stock Exchange in China." *Energy Procedia*, Vol. 5, pp. 1218-1224.

Zeng, S. X., Xu, X. D., Dong, Z. Y., and Tam, V. W. Y. (2010). "Towards corporate environmental information disclosure: an empirical study in China." *Journal of Cleaner Production*, Vol. 18, No. 12, pp. 1142-1148.

Zhao, S. X. B. (2003). "Spatial restructuring of financial centers in Mainland China and Hong Kong: a geography of finance perspective." *Urban Affairs Review*, Vol. 38, no. 4, pp. 535-571.

Table 1 – Positions held by interviewees.

Interviewee	Position in the Company
BF1	Manager of the CSR reporting team
BF2-a	Deputy head of Corporate Strategy and Investor Relations Department
BF2-b	Manager of Risk Management Department
BF3	Officer from Executive Office
BF4	Manager from the Marketing Department
E1-a	General secretary from the Executive Office
E1-b	Manager from the Corporate Strategy Department
E2	Assistant to the CEO
E3-a	Manager in charge of preparing CSR reports
E3-b	Assistant manager from the General Office
E4-a	Manager from the Department of Public Relations
E4-b	Assistant manager from the General Office
E5-a	Officer in charge of preparing CSR reports
E5-b	Assistant manager from Department of Corporate Culture