



A review of Chinese and English language studies on corporate environmental reporting in China



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ABSTRACT

We review theoretical arguments, research methods and empirical findings of 57 Chinese and English language studies of corporate environmental reporting (CER) in China. The studies reviewed highlight the influential role of the Chinese government in driving change in CER, especially since 2008. They reveal that few of the associations reported in Western capital markets research between company characteristics and CER (other than size and industry) were found in studies of CER in China. Agency theory prevailed in Chinese language studies of CER in China whereas institutional theory was more popular in English language studies.

Theoretical foundation of CER research relating to China needs to be more sensitive to the efficacy of transporting Western-based theories to the Chinese context. We draw attention to the potential of using institutional theory to frame analysis of Chinese CER. We call for future research into CER in China to adopt a more flexible theoretical perspective, to be more conscious of distinctive Chinese company characteristics, and to integrate macro and micro contextual factors more strongly.

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1. Introduction

China has been disparaged for seeking dynamic national economic growth at the cost of a deteriorating environment and increasing levels of social inequity (World Bank, 2007). These criticisms have drawn close global attention to China's environmental actions to mitigate the effects of climate-change. However, such closer attention has not induced greater understanding by Western accounting researchers of the findings of Chinese language studies of corporate environmental reporting [CER] in China. Very few English language studies of CER in China have drawn on relevant Chinese language studies. This lack of concern seems mildly imperious when juxtaposed against various international admonitions of China (implicitly, if not explicitly) for having a poor record of environmental stewardship. Furthermore, Western ignorance of Chinese language CER studies sits uncomfortably with the increasingly important role China is being urged to adopt by the international community to ameliorate the effects of global climate-change (Heggelund, 2007).

This study provides a platform of knowledge and commentary to benefit understanding of CER in China and to enhance appreciation of the social, economic and political functioning of CER research in China. Specifically, we review and compare

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57 English language and Chinese language studies of Chinese CER in terms of theoretical bases, research methods, and influential factors. We introduce to the English language accounting literature 28 Chinese language studies of CER published between 1997 and 2012.

The broad ontological stance we adopt stresses the importance of social location, the influence of situational factors (political system, economic environment, and cultural orientation) and understands that some views are privileged over others. In terms of the Euro-Western research paradigms (of positive/postpositive, interpretive and transformative) outlined by [Chilisa \(2012, pp. 25–41\)](#), the current study has traces of all three paradigms. However, it seems best located within a transformative paradigm ([Chilisa, 2012, pp. 35–37](#)). This is because we introduce (metaphorically at least) 'voices' from a country whose research findings on CER (in the Chinese language) have remained unknown in mainstream Western literature. We seek to 'transform' (however marginally) Euro-Western knowledge systems relating to CER by exposing them to 'the other [Chinese] knowledge [that is] non-Western and [currently] peripheral' ([Chilisa, 2012, p. 4](#)). Thus, we seek to be transformative by 'emancipating' knowledge of CER produced in another culture so that it does not remain marginalised.

The following review is also transformative in the sense that it will empower researchers to act in a more informed manner. We believe in the need to recognise, expose and remediate any cultural bias and cultural marginalization that affects the dissemination of scholarly research in accounting. We view the economic [including environmental] activity that accounting reports on, as having many universal aspects. We do not regard knowledge 'ownership rights' in respect of such activity as necessarily vesting in an intellectual hegemony of one 'superior' culture over other [perceived as 'lesser'] cultures.

Many benefits are likely to accrue from obtaining a deeper understanding of China's social and environmental problems and reporting responses: for example, credible and comparable information about environmental pollution policies of Chinese companies will promote environmental transparency, and better inform the world of China's progress in dealing with environmental pollution. The current study makes two major contributions to the development of social and environmental reporting.

First, it promotes informed international dialogue by engaging non-Chinese readers with a large volume of Chinese CER literature that has been published in the English and Chinese languages. This is the first study (to our knowledge) that integrates Chinese language CER research to complement CER research published in the English language. Our assessment of how Western theories and research methods have been applied or misapplied in CER research relating to China should be useful to those who intend to conduct research on Chinese CER. In particular, we draw attention to the inappropriateness of using Western incentive-based agency theory and positive accounting theory [PAT] to frame China-based CER studies. This inappropriateness arises because of the distinctively different and rapidly changing institutional setting in China ([Li, Jiang, & Gao, 2009](#); [Sun & He, 2008](#)). We call for researchers to consider the Chinese context more thoroughly in order to avoid potentially misleading results (see [Fang, 2009](#); [Geng & Pang, 2004](#); [Li, Wang, & Chen, 2002](#); [Xu, 2009](#)).

Second, this study provides a comprehensive review of the empirical findings of Chinese CER. It allows the 'voices' of local researchers domiciled in China to be heard. [Appendices A–C](#) contain information of considerable benefit to teachers and researchers. These appendices include bibliographic details; information on theory framing, research method, and keywords; and a summary of the findings of each of the 57 papers reviewed. Thereby, we enable non-Chinese readers to better understand the evolution of Chinese CER, including its potential and limitations. Issues identified in this review are also likely to beneficially inform CER research in other developing countries that are addressing competing tensions between economic development and environmental accountability.

The remainder of this paper is organised as follows. [Section 2](#) outlines important aspects of the Chinese socio-political, economic and academic context. [Section 3](#) explains our research method. [Section 4](#) discusses key findings of the English and Chinese language papers reviewed – in terms of theoretical frameworks, research methods and factors influencing CER in China. [Section 5](#) enters some conclusions and recommendations for future research.

2. Context

2.1. *The Chinese capital market and Chinese companies*

China is the second largest economy in the world. It has strong potential to lead global solutions to climate change. The country is transitioning from a planned economy to a market economy. The Chinese capital market has grown rapidly since its establishment in 1991. The number of listed companies in China has increased from 12 in 1991 to 2494 in 2012 ([World Bank, 2013](#)). A distinctive feature of the Chinese capital market is that many listed Chinese companies are controlled by the Chinese government ([Lin, 2001](#); [Scott, 2002](#); [Yang, 2011](#)). Indeed, in 2012, 953 state-controlled listed companies accounted for 51.4% of the total market value of 'A share' listed companies in China ([State-owned Assets Supervision and Administration Commission of the State Council of China, 2013](#)). Contrary to experience in Western capitalist countries, the corporatization of state-owned enterprises [SOEs] in China has not progressed to the privatization stage ([Hilmy, 1999](#); [Walder, 1995](#); [Xu & Uddin, 2008](#)).

China's economic reforms from 1978 have led to the management responsibility being delegated to enterprise managers. Before 1991, all corporations were run by central, provincial and/or local (municipal) governments. They did not disclose information to the general public. However, in 1992, driven by [then] Communist Party of China [CPC] leader Deng Xiaoping's push to develop a market-oriented economy, SOEs were encouraged to separate ownership and management. Managers were given more autonomy to control resources and make enterprise decisions. In 1993, the National People's

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