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Financialisation as a strategic action field: An historically informed field study of governance reforms in Chinese state-owned enterprises

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ABSTRACT

This paper extends extant research on financialisation, which has mainly evolved in advanced capitalist economies, through an historically informed field study of governance reforms in Chinese state-owned enterprises (SOEs). Mobilising the theory of strategic action fields (SAFs), we conceptualise the evolution of such reforms as a protracted framing process where different actors sought to influence the meanings attributed to shareholder-focussed governance practices. We examine how challengers of extant governance practices, such as the World Bank, and incumbent actors representing the interests of the Chinese state vied for influence over governance reforms and how various regulatory bodies, assuming the role of internal governance units (IGUs), enjoyed varying degrees of success in advancing context-specific governance practices. Shareholder-focussed accounting techniques, such as Economic Value Added (EVA™), played an increasingly salient role in this process. Yet, emerging governance practices primarily came to reflect the interests of the Chinese state in maintaining and increasing the value of state assets whilst preserving its political control of SOEs. We contribute to the literature on financialisation by showing how pressures for shareholder value creation can be channelled into governance practices which attenuate the pervasive effects of financialisation in contemporary society. We also contribute to research on accounting in emerging economies by exploring the under-researched role of IGUs in the local adaptation of "Western" governance practices. We discuss how future studies can bring these bodies of research closer together and extend research on financialisation to a wider range of institutional contexts.

1. Introduction

The financialisation of contemporary business practices has attracted considerable attention across a broad range of disciplines. Accounting scholars have made important contributions to this body of research and have especially demonstrated how accounting plays a key role in institutionalising notions of shareholder value creation as a basis for corporate governance and control (e.g., Carter & Mueller, 2006; Ezzamel, Willmott, & Worthington, 2008; Froud, Haslam,

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Johal, & Williams, 2000; Froud, Johal, Leaver, & Williams, 2006; Gleadle & Cornelius, 2008; Newberry & Robb, 2008; Roberts, Sanderson, Barker, & Hendry, 2006). The majority of this research has focussed on the diffusion of Anglo-American governance practices across advanced capitalist economies (see Siepel & Nightingale, 2014). There is now ample evidence of how such diffusion processes give rise to context-specific adaptations of shareholder-focussed governance practices (e.g., Bezemer, Zajac, Naumovska, van den Bosch, & Volberda, 2015; Fiss & Zajac 2004, 2006; Jürgens, Naumann, & Rupp, 2000; Meyer & Höllerer, 2010, 2016; Morgan & Takahashi, 2002; Yoshikawa, Tsui-Auch, & McGuire, 2007). Yet, in a broadly based review of research on financialisation, van der Zwan (2014) called for greater attention to the complex processes of transformation which underpin the tendencies towards financialisation across a wider range of institutional contexts. Similarly, in a recent commentary on how accounting is implicated in financialisation, Müller (2014) called for more research into the countertendencies that increased pressures for financialisation set in motion and how such countertendencies prevent economies from becoming fully financialised. Further research into how such countertendencies emerge is warranted to nuance the hitherto dominant view of financialisation as a highly pervasive phenomenon in contemporary society and to enhance our understanding of how accounting is implicated in the shaping of context-specific governance practices (Müller, 2014; van der Zwan, 2014).

Research on how accounting is implicated in the process of financialisation is particularly sparse in the context of emerging economies. Even though research on accounting in emerging economies has paid ample attention to broader, but related phenomena, such as the spread of neo-liberal ideologies (see Ezzamel & Xiao, 2011; Hopper, Tsamenyi Uddin, & Wickramasinghe, 2009; Hopper, Lassou, & Soobaroyen, 2017; van Helden & Uddin, 2016), little of this research has forged explicit connections to the literature on financialisation. Yet, there is evidence of discourses associated with financialisation, such as the emphasis on shareholder-focussed governance reforms, diffusing to emerging economies (Young, Ahlstrom, & Bruton, 2004; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008) and novel accounting practices, posing under the banner of value-based management, being adopted to buttress such reforms (Chiwamit, Modell, & Yang, 2014; Chiwamit, Modell, & Scapens, 2017; Stern, 2011). This underlines the need for greater attention to how such reforms evolve in emerging economies and imbue governance practices with context-specific meanings. Understanding how such meanings take shape is vital for explaining how shareholder-focussed governance practices are institutionalised and influence economic and social development (Meyer & Höllerer, 2010, 2016; Yoshikawa et al., 2007).

In the present paper, we extend this line of inquiry and ask how accounting is implicated in governance reforms in emerging economies and how this imbues shareholder-focussed governance practices with context-specific meanings. We address these research questions through an historically informed field study of governance reforms in state-owned enterprises (SOEs) in China. The Chinese SOE sector provides an interesting setting for exploring questions about how tendencies towards financialisation have evolved over time. Over the past decades, governance reforms, ostensibly aimed at transforming SOEs into more shareholder-focussed corporations, have constituted one of the cornerstones of the country's transition towards a socialist market economy (Lau, Fan, Young, & Wu, 2007; Xu & Uddin, 2008). However, prior research gives a somewhat mixed picture of how these reforms have affected governance practices. Whilst some observers argue that such reforms have accelerated the process of financialisation (Wang, 2015; Wong, 2005), others suggest that this has been a contested process which has been fraught with institutional obstacles (Chiwamit et al., 2014; Dai, Tan, Tang, & Xiao, 2017; Yang & Modell, 2015). Hence, there would seem to be a need for deeper inquiries into how the tendencies towards financialisation have given rise to countertendencies and how the interplay between such tendencies have imbued emerging governance practices with context-specific meanings.

To make theoretical sense of how governance reforms unfolded we mobilise the theory of *strategic action fields* (SAFs) (Fligstein & McAdam, 2011, 2012), which has recently emerged as a variant of institutional research on organisations. The concept of SAFs denotes the socially constructed space where different actors develop more or less shared understandings of particular issues whilst vying for power over the ideas that constitute such understandings. As such, it is centrally concerned with the evolution of new meanings around contested social phenomena and would seem appropriate for addressing questions about how shareholder-focussed governance practices evolve in particular institutional contexts. In contrast to conventional, capitalist notions of financialisation, centred on the maximisation of shareholder value, we find that the institutional processes surrounding the governance reforms gradually led emerging governance practices to primarily reflect the interests of the Chinese state in maintaining and increasing the value of state assets whilst preserving its political control of SOEs. We examine how such context-specific understandings emerged through a process where challengers, such as the World Bank, propagating the use of "Western", shareholder-focussed governance practices and incumbent actors, representing the interests of the Chinese state, vied for power over the meanings attributed to reforms. Our analysis draws attention to how this struggle over meanings was ultimately settled by a regulatory body with a strong mandate to advance context-specific governance practices. Our findings stress the importance of understanding the agency exercised by such bodies, who assume the role of internal governance units (IGUs) (Fligstein & McAdam, 2011, 2012), in the institutionalisation of shareholder-focussed governance practices. We discuss the implications of these findings for future studies of financialisation and research on accounting in emerging economies.

The paper unfolds as follows. We start by outlining the theory of SAFs and how it can be reconciled with prior research on shareholder-focussed governance practices. We then account for the research methods employed before offering a longitudinal, historically informed analysis of the evolution of governance reforms in Chinese SOEs. The concluding discussion summarises our main findings and reflects on the implications for future research.