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Authoritarian state, global expansion and corporate social responsibility reporting: The narrative of a Chinese state-owned enterprise

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ABSTRACT

This case study examines why stand-alone Corporate Social Responsibility (CSR) reporting has been initiated in a Chinese state-owned enterprise (SOE). Chinese SOEs have been pioneering CSR reporting since the mid–2000 s and extant literature interprets its development as no more than a consequence of government interventions. However, there is a dearth of qualitative evidence illuminating the subtle interrelationships between the global, national and internal organisational dynamics mediating CSR reporting initiative of Chinese SOEs within the authoritarian state. To fill this gap, we provide a nuanced multi-level institutional analysis of the drivers underlying the initiation of CSR reporting within the case examined.

1. Introduction

The reason why organisations report on social and environmental matters is not a new issue for accounting research. There is an established tradition of social and environmental accounting (SEA) research that has examined organisational motivations for undertaking Corporate Social Responsibility (CSR) reporting (Adams, 2002; Deegan, 2017; Owen, 2008) However, what is less well known is why organisations in a complex and unique environment like Mainland China undertake CSR reporting. It is from this Chinese perspective that we contribute to the SEA stream of accounting research.

Because of the uniqueness of the Chinese context, Tilt (2016) argued that knowledge on CSR reporting developed in the Western context should not be extrapolated to China. In the context of Chinese economic development and the social and environmental consequences arising from it, a body of knowledge is emerging that examines Chinese SEA practices. Previous Chinese studies (Du & Gray, 2013; Marquis & Qian, 2014; Patten, Ren, & Zhao, 2015; Zhao & Patten, 2016) that examined the drivers for CSR reporting were mainly cross sectional in nature and missed the opportunity to provide in-depth insights offered by field-based case study approaches. The lack of field-based Chinese CSR reporting case studies is confirmed by a recent survey of research methods used in previous research (Yang, Craig, & Farley, 2015). We fill this gap by adopting a field-based case study approach and developing an explanation of why a Chinese multinational Stated-owned Enterprise (SOE) (ALPHA, hereafter) introduced stand-alone CSR reporting in 2006–a time when this was a rare practice in China.

By doing so we respond to the calls for more field-based case studies made in this regard by Hopwood (2009), Owen (2008) and Parker (2005), that urge researchers to examine the 'variety of motives' underlying the initiation of social and environmental accounting practices. In their recent review of Chinese SEA studies Yang et al. (2015) advocated the application of institutional theory

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in studying CSR accounting and reporting by Chinese business organisations. Following this theoretical tradition we mobilise a multi-level institutional lens based on Scott (2002) and Whelan and Muthuri (2017) to interpret the drivers for the initiation of ALPHA's CSR reporting in China. In order to achieve this research objective, we have conducted an extensive qualitative field-based case study (Adams & Larrinaga, 2007). As part of this research design one of the authors spent five months inside the organisation voluntarily working for their CSR team and undertook a series of semi-structured interviews with various participants inside the organisation.

We proceed with a discussion of the prior research in the Chinese CSR reporting by SOEs. We then explain the theoretical framework used to make sense of the empirical results of this study. The research Method section describes the research design and the in-depth case study approach used in this study. The next section of the paper presents the empirical findings followed by a Discussion and Conclusion section.

2. CSR reporting in China

Over the last four decades, China has implemented a series of economic reforms and achieved rapid economic growth that consequentially resulted in demoralizing social and environmental consequences (Kojima, 2016). To address this, various Chinese (non-) governmental bodies have since the early–2000 s issued a range of policies, regulations and guidelines promoting corporate social and environmental sustainability (refer to Marquis & Qian, 2014 for a review). In particular, CSR reporting, among other things, has been emphasised as a means by which businesses could improve CSR-orientated decision-making processes by incorporating CSR principles. Since the mid-2000s, an increasing number of Chinese SOEs started to report on their CSR practices. By 2012, all key Chinese SOEs, directly governed by State-owned Assets Supervision and Administration Commission (SASAC), had produced a CSR or sustainability report following reporting standards, such as international GRI sustainability guidelines, and domestic China Academy of Social Sciences (CASS) CSR Reporting Guide (Du & Gray, 2013).

The growing level of CSR reporting in the Chinese context has drawn attention from academic, practitioners and policy makers. Extant studies have documented somewhat mixed and controversial findings with regard to the influence of governmental policies on SOEs' initiation of CSR reporting practices (see Appendix A for a systematic summary). Some researchers conceive CSR reporting as a means by which SOEs maintain their political legitimacy and material gains (e.g. political standings, state subsidies, national loan exemptions, and operation licence) from the Chinese Communist Party (CCP)-ruled political regime (Lee, Walker, & Zeng, 2017; Luo, Wang, & Zhang, 2017; Marquis & Qian, 2014; Patten et al., 2015; Situ & Tilt, 2012), whereas others argue that SOEs are owned and governed by the state government and thus there is no point for them to utilise CSR reporting to obtain legitimacy from the government. While the government is referred to as the main driver for SOEs' CSR reporting, few studies have appeared to denote the growing impact of non-governmental bodies (e.g. the general public, NGOs and media) on CSR reporting in Chinese SOEs (Liu & Anbumozhi, 2009; Rowe, Guthrie, & Paton, 2009; Zeng, Xu, Yin, & Tam, 2012), even though how they mediate SOEs reporting remains unclear.

It is noteworthy that existing studies have paid particular attention to the imposition of government's forces upon the initiation of CSR reporting in Chinese SOEs. While the above studies have highlighted the extent to which government can influence the incidence of SOEs' reporting depending on their identity, size and financial capability (Lee et al., 2017; Luo et al., 2017; Marquis & Qian, 2014), they particularly emphasize the one-way influence of government upon the SOEs. Thus, the interdependent relationships between the Chinese state government and SOEs in particular industries and their role in forming government's policy-making procedure in the Chinese context, is largely omitted in the current literature.

In this study, we argue that existing literature has overstated the overriding role of the government in driving Chinese SOEs' adoption of CSR reporting, and the material benefits that they gain from such a government-directed activity. Little attention has been paid to the implications of globalisation for the Chinese government and its SOEs. Researchers have made scant effort to investigate the complexity and peculiarity of interrelationships between the global institutions, national/political ideological orientation in an authoritarian regime, and the decision-making processes within the distinctive organisational configurations of Chinese SOEs. The empirical investigations into the organisational internal factors leading to the adoption of CSR reporting by SOEs remains under-specified. We contribute to filling this gap by offering nuanced insights into the driving factors for the development of a stand-alone CSR reporting process into a large Chinese multinational SOE since 2006. We explore the global, national and the organisational factors responsible for the development of CSR reporting in ALPHA by mobilising a multi-level institutional theory framework (Scott, 2002, Whelan and Muthuri, 2017).

3. Theoretical framework

In this paper, we have made a combined use of Scott (2002)'s multilevel institutional analysis framework and a three-level analytical model developed by Whelan and Muthuri (2017) to gain a nuanced understanding of the complex decision-making process about the initiation of stand-alone CSR reporting within the Chinese SOEs. The two analytical frameworks have been used to investigate organisational changes (Scott, 2002) and social (human rights) disclosure (Whelan & Muthuri, 2017) in the Chinese SOEs. Combining the two theoretical analysis frameworks enables us to examine in detail why and how the wider external institutional and internal factors imposed on SOEs operating in China and overseas affected their production of CSR report in such a complex institutional environment.

Institutional theorists have specified the impacts of regulative/coercive, normative and cultural-cognitive institutions upon organisational structures within a specific, or multiple, organisational fields (Ball & Craig, 2010; Lounsbury, 2008; Meyer & Rowan, 1977; Scott, 1987, 2008, 2002). Specifically, regulatory institutions, underpinned by coercive sanctions and penalties, impose legal