How do Chinese businesses view corporate social responsibility?

BRIEFING

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1. Introduction

China is the world’s second largest economy and a growing superpower that is expanding its business operations globally. China’s rapid economic growth over the past couple of decades has resulted in poor labour and environmental records, raising concerns over its commitment to human rights and natural resources. In 2006, the government propagated the notion of ‘harmonious society’ with a focus on national policies to elevate social justice and harmony among different interest groups, and then again in 2011 in the form of ‘harmonious world’, with a focus on harmony and cooperation with the rest of the world. The notion of harmonious society/world aims to reconcile economic growth with social justice and achieve a state of harmony between different interest groups, between the human and the natural environments and between China and the global community. While at the national level, the government has endeavoured to raise environmental and labour standards, at a global level, the Chinese companies with the ambition of gaining and maintaining a share of the global markets are expected to illustrate their legitimacy to the wider world. With more Chinese companies operating in global markets, more Chinese companies are exposed to a host of new economic, political and social pressures, challenges and changes and they are expected to report on their social and environmental activities as a manifestation of their legitimacy and, hence, competitiveness.

The concept of corporate social responsibility (CSR), its meaning and practices tend to vary in different countries, depending on how CSR is perceived in a given cultural, political, economic, social and institutional framework and how embedded the culture of responsible business is in their corporate infrastructures and institutional frameworks (eg, explicit and implicit CSR1 – Matten and Moon, 2008). Furthermore, the overall economy and the level of competition companies face, plus institutional factors such as the forces companies encounter from regulators, non-government organisations and activist groups as well as the pressures from globalisation, play significant roles. In many developing countries, national governments are likely to introduce explicit CSR guidelines/standards to encourage companies to take active roles in elevating the quality of life in society and as a means of taking pressure away from the government (eg, Campbell, 2007) to alleviate poverty.

In China, companies have their own unique emphasis when reporting social information. While companies operating at global levels tend to comply with the global CSR standards, at the national level, companies report on a different set of CSR-related issues (Noronha et al, 2013). This brief report contributes to the growing CSR and CSR reporting literature in a Chinese context, by shedding light on the views of some of the leading Chinese executive managers and their top managerial teams on CSR and CSR reporting. This report aims to explore: (1) how the executive managers of leading Chinese companies perceive CSR, and (2) why they report on CSR-related issues.

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1 Under the explicit form of CSR, corporate activities assume the responsibility for the interest of the society in a voluntary manner. The implicit form of CSR, on the other hand, describes corporations’ roles within the wider formal and informal institutions for the societal interest and is in response to the mandatory/customary requirements imposed on companies.
2. A conceptual framework

Institutional theory and, to a lesser extent, legitimacy theory are applied to facilitate the understanding and interpretation of the findings. Under legitimacy theory, companies adopt strategies to repair, gain, promote and maintain their legitimacy through regular communication (Deegan and Unerman, 2011). In cases when legitimacy gaps occur, due to either the gradual changes in societal expectations or the occurrence of social and environmental incidents, companies report CSR-related information in an attempt to narrow the gap. In comparison, from the institutional theory’s perspective, legitimacy is considered as ‘… a condition reflecting perceived consonance with relevant rules and laws or normative values, or alignment with cultural cognitive frameworks’ (Scott, 2014, p.72). Here, legitimacy can be conferred by various types of authorities, such as the states, professional and trade associations. Institutional theory postulates that organisational practices, such as CSR reporting, are adopted by organisations as a means of conforming to the norms and values in their business environments.

While at the national level, the external environments surrounding companies tend to be organised in diverse ways, affecting the functioning of companies embedded in them differently, at global level, there is growing evidence of global convergence of CSR. With the increasing pressures (eg, new regulations, increasing social awareness and changing social norms) in global business environments, companies operating in global markets have become CSR active as a response to such pressures (rather than the pressures from their own national environments) to the extent that CSR becomes institutionalised in their organisational infrastructures (de Villier and Alexander, 2014). Ultimately, these companies exert pressures on the local companies in their home countries to become more socially active and endeavour to bring the CSR agenda forward (Djelic and Quack, 2008).

Companies operating in any business environment can be regarded as participants who are caught in a complex web of social, political and cultural relations they have created and continue to create as well as being, at the same time, exposed to formal and informal rules. While formal rules are explicit and devised by formal institutions such as the central and/or regional governments, informal rules are implicit and include social norms, routines and political processes. In a way, CSR reporting can be viewed as some form of rationalisation for companies in order to maintain the appearance of legitimacy in their institutional environments by responding to the formal and informal rules. Here, CSR reporting tends to become homogenous and conform to what is considered as being normal by particular powerful and influential groups, as most companies are concerned about ‘fitting in’ and operating ‘appropriately’ (Bebbington et al, 2009).
The Chinese companies operating at the national level are exposed to a range of (formal and informal) pressures, emanating mainly from the dominant central and regional governments. The dominant state grants informal assistance, such as implicit expectations (often perceived as social norms and values), to facilitate the achievement of its developmental goals. The sheer size of the country means a large degree of decentralisation whereby policies are devolved at regional level (Witt and Redding, 2014, p.14), allowing the regional governments the flexibility needed to set their rules in order to achieve regional goals. In comparison, those companies that operate globally with a share of the global markets are exposed to strong pressures from different global sources, leading them to ultimately conform to the dominant global CSR standards. While the Chinese companies are going through the learning process for CSR and CSR reporting, it will not be long before they become established global players and hence norm setters. Thus, more attention needs to be paid to the increasing presence of more powerful Chinese companies in global markets and the implications this may have for CSR and CSR reporting at global level. Apart from the implicit and explicit CSR models, it is possible that we are witnessing the emergence of another form of CSR which is more compatible with the South East Asian culture and indeed emanates from the notion of harmonious society.
3. Existing literature

Managers from developed countries have an overall tendency to interpret CSR in a manner consistent with shareholder wealth maximisation (e.g., O’Dwyer, 2002; Macve and Chen 2010). Many corporate managers justify their decisions to report CSR using ‘business case’ discourse (e.g., Spence, 2007). At the same time, the way states position themselves on issues related to social and environmental matters can be highly significant in how companies treat CSR reporting and use it to demonstrate their ideological alignment with the state (Archel et al, 2009). There are also other factors such as the concerns of influential lobby groups and strong institutional pressures (e.g., pressures from the World Bank) that motivate companies to report CSR.

In the case of developing countries, there is a small bank of evidence suggesting that companies report CSR to project a legitimate image and manage the perception of their economically powerful stakeholders (e.g., their parent companies, investors and pressures from international agencies, the World Bank and non-government organisations, NGOs) (Belal and Owen, 2007). Companies in developing countries tend to report CSR under the influence of global stakeholders while their local cultures may be acting as deterrents (Momin and Parker, 2013).

Unlike most developing countries, China is an economically powerful country with a dominant state that propagates the agenda for CSR and CSR reporting. When the Chinese Government started to promulgate rules and regulations related to CSR and CSR reporting, listed companies, predominantly old state-owned enterprises (SOEs) and still under the heavy influence of the state, responded favourably in order to secure access to resources that are held by the authorities—for example, financial resources, government subsidies and tax preferences. The level of CSR reporting gradually rose from the early to mid-2000s, followed by a steep rise from less than 5% of listed companies in 2005 to more than 80% in 2009 (Webber and Lin, 2015) with increasingly more listed companies using international reporting frameworks such as the Global Reporting Initiative (GRI).

To discern CSR in a Chinese context, it is important to recognise that the practice of CSR depends on how the term is understood in a given context. Traditionally, the Chinese culture has deep roots in the notion of harmony and the Chinese institutional frameworks are structured and operate accordingly. In this context, the central government aims to establish and maintain harmony across the country and to this end, they delegate power and authority to regional governments so that regional resources can be used depending on the local

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2 For example, the publications of the Research Centre for CSR, which is part of the Chinese Academy of Social Sciences, include (Duan and Eccles, 2014): the Blue Book from 2009 to 2013; the White Book of Chinese CSR Reports from 2011 to 2014; the China Corporate Social Responsibility Reporting Guidelines (2011).
needs, leading to a state of harmony in each region and hence in the whole country. This is potentially why there is an absence of a systematic institutional approach coupled with no peer pressures to encourage CSR and CSR reporting, leaving the government as the key player in setting the agenda for CSR and CSR reporting (Marquis and Qian, 2014) at the national level.

The extent of CSR reported by Chinese companies tends to vary depending on internal institutional factors, such as ethical corporate culture and top management commitment, as well as external institutional factors, such as the pressures from globalisation, political embeddedness and normative pressures (Yin, 2015). Other drivers for CSR reporting in China are identified as: corporate reputation and brand name (eg, Noronha et al, 2013); leadership; pressures from the media; and meeting the requirements set out by buyers (SYNTAO, 2007, p.10).
4. Research tools

Semi-structured in-depth interviews were used as specific issues had to be addressed in a more flexible manner so that we could gain insights into the views and perceptions of the executive managers and their managerial teams. An interview guide was subsequently prepared to allow the coverage of specific issues and topics during the interviews. The questions were designed to be open-ended, to allow more critical dialogue between the researchers and interviewees as well as probing to clarify ambiguous responses while maintaining the focus of the discussion on key issues.

For all the interviews, a brief summary of the project together with the interview guide were sent out to all the interviewees a few days before each interview. All companies were assured that their names and the names of their managers participating in the interviews would remain confidential. In this report, we have maintained confidentiality by omitting all names and replacing them with identifier codes (see Table 1 for more details).
### Table 1 Information about companies and interviewees

<table>
<thead>
<tr>
<th>Code</th>
<th>Ownership</th>
<th>Region</th>
<th>Industry</th>
<th>Stock Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>SOE</td>
<td>Beijing (North, the political centre)</td>
<td>Food manufacturing</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>C2</td>
<td>Private</td>
<td>Beijing</td>
<td>Real estate</td>
<td>Shenzhen</td>
</tr>
<tr>
<td>C3</td>
<td>SOE</td>
<td>Shanghai (East, the commercial and financial centre of mainland China)</td>
<td>Real estate, trading, energy</td>
<td>Shanghai</td>
</tr>
<tr>
<td>C4</td>
<td>SOE</td>
<td>Shenzhen (South East, a major manufacturing centre in China)</td>
<td>Telecommunications</td>
<td>Shenzhen</td>
</tr>
<tr>
<td>C5</td>
<td>SOE</td>
<td>Shenzhen</td>
<td>Electrical manufacturer</td>
<td>Shenzhen</td>
</tr>
<tr>
<td>C6</td>
<td>SOE</td>
<td>Tianjin (North, important industrial base)</td>
<td>Port operations</td>
<td>Shanghai</td>
</tr>
<tr>
<td>C7</td>
<td>SOE</td>
<td>Tianjin</td>
<td>Electronics</td>
<td>Shanghai</td>
</tr>
<tr>
<td>C8</td>
<td>SOE</td>
<td>Taiyuan (North, the largest coal mining centre in China)</td>
<td>Iron and steel manufacturers</td>
<td>Shanghai</td>
</tr>
<tr>
<td>C9</td>
<td>SOE</td>
<td>Taiyuan</td>
<td>Production and marketing of heavy railways</td>
<td>Shanghai</td>
</tr>
<tr>
<td>C10</td>
<td>SOE</td>
<td>Beijing</td>
<td>Metals and mineral trading</td>
<td>Shanghai</td>
</tr>
<tr>
<td>C11</td>
<td>Private</td>
<td>Ningbo, (East, near Shanghai: the most ‘international’ city)</td>
<td>Apparel and fashion suppliers</td>
<td>Shanghai</td>
</tr>
</tbody>
</table>

Notes: * SOE denotes ‘State-Owned Enterprise’
<table>
<thead>
<tr>
<th>Senior managerial team (S)</th>
<th>CSR managers (M)</th>
<th>Employee representatives (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Code</strong></td>
<td><strong>Role in the company</strong></td>
<td><strong>Code</strong></td>
</tr>
<tr>
<td>--</td>
<td>--</td>
<td>M1</td>
</tr>
<tr>
<td>S2</td>
<td>Company Secretary</td>
<td>M2</td>
</tr>
<tr>
<td>S3</td>
<td>Company Secretary</td>
<td>M3</td>
</tr>
<tr>
<td>S4a</td>
<td>-- Financial Director – also involved in preparation of CSR reports</td>
<td>M4</td>
</tr>
<tr>
<td>S4b</td>
<td>-- Head of Securities and Investors Relations Department</td>
<td></td>
</tr>
<tr>
<td>S5a</td>
<td>-- Board Secretary – Head of Public Relations</td>
<td>M5</td>
</tr>
<tr>
<td>S5b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S6a</td>
<td>-- Company Secretary – Securities Affairs Representative and Vice President</td>
<td>M6</td>
</tr>
<tr>
<td>S6b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S7</td>
<td>Board Secretary</td>
<td>--</td>
</tr>
<tr>
<td>S8</td>
<td>Company Secretary</td>
<td>M8</td>
</tr>
<tr>
<td>S9</td>
<td>Secretary of the Board</td>
<td>M9</td>
</tr>
<tr>
<td>S10</td>
<td>Company Secretary</td>
<td>M10</td>
</tr>
<tr>
<td>S11</td>
<td>Vice President and Company Secretary</td>
<td>--</td>
</tr>
</tbody>
</table>

Notes: * SOE denotes ‘State-Owned Enterprise’
We interviewed executives and senior managers from the Top 11 largest companies in China. Our interviewees included 13 senior executives, 9 CSR managers and 5 senior managers in charge of representing employee-related issues. As the concept of CSR is new in China, we took the view that the major companies would be the ones taking the lead in CSR and CSR reporting and set the precedent for other companies. We also selected companies from different industries and regions. While our sample companies do not represent the listed Chinese companies in general, they represent a range of leading companies from different industries and economic regions.

We approached companies using the personal and professional contacts of the senior researcher as this is the usual way to contact companies in China. We interviewed companies from the industrial regions in the North and the economically prosperous regions of the East and South East coasts. All the interviewees had a knowledge of, and insight into, their company’s CSR reporting practices. Of the three researchers, the two who could speak Mandarin conducted the interviews as the respondents felt more at ease and hence more willing to discuss their issues.

Of the companies we interviewed, five had arranged for a team of managers who knew about social reporting to be available for our visit. This meant that for five companies (C4, C5, C6, C8 and C9), senior managers and, in some cases, representatives of their employees, as selected by the management, attended the interviews. This allowed rich discussions on various aspects. For the remaining companies, interviews were conducted with each interviewee separately. Apart from two, all interviews were recorded. Each interview started with general comments about the company and their operations before embarking on the main questions. On average, the interviews lasted between 40 minutes and approximately 1 hour and 30 minutes.

It was interesting to witness that representatives for employees attended the meetings alongside the other senior management and, on those occasions that we could speak to them separately, the individuals we spoke to held high-level managerial positions and were highly complimentary of their senior managers. In a Chinese context, employees have very little independence. Hence, it was not possible to speak to representatives who would express their views freely, nor was there another alternative, such as approaching a trade union with authority and independence that we could speak to without going through the company.
5. Findings

Perception of CSR
There was a common perception by all companies that, once profitable, they should fulfil their responsibility to their local communities by making charitable donations (e.g., earthquake and flood victims), supporting and contributing to local and community projects and common causes in the form of supporting the education of children (S2, S3, M4, S7). All companies discussed social responsibility as being embedded in their corporate activities (i.e., an implicit form of CSR as argued by Matten and Moon, 2008, p. 418) and heavily alluded to how they looked after their employees and their welfare (e.g., raising wages, employees’ welfare and determining the investment in energy conservation projects) and maintained doing so by communicating with them on a regular basis (through employee congress, reports, surveys etc.). This was undoubtedly a paternalistic view of their employees, a common characteristic of dominant states and a legacy of ‘iron bowl policy’ – which has remained to this day. As an example, companies hardly referred to any external channels of communication (e.g., NGOs, trade unions, or resolving disputes legally under the Contract Law, 2008) when discussing with their employees.

Similarly, all companies alluded to their environmental issues and considered them as important. However, unlike employee-related issues, only 7 (out of the 11) companies discussed, to some limited degree, their environmental activities (C1, to C5, C10, C11) and this was usually in relation to their local communities.

Despite the heavy emphasis on the notion of ‘harmonious society’ (as the main grounding for CSR and hence CSR reporting with Chinese characteristics), interviewees from only six companies cared to elaborate on how they related to the notion of a harmonious society and discussed how CSR had deep roots in the old Chinese philosophies (i.e., Confucius, Taoism). All the six companies (C1, C4, C5, C6, C7, C9) were SOEs and expressed an explicit in-depth sense of loyalty to the official notion of CSR and how they endeavoured to adhere to its various aspects (i.e., mainly communities and employees). Senior managers in SOEs are party members whose position in the party can improve considerably depending on their degree of loyalty to various (implicit as well as explicit) policies and rules set out by the state. Of the remaining five companies, four (C2, C3, C8, C10) did not comment on harmonious society and only one (C11 – one of the two largest privately owned companies in China) argued that the current format of CSR (i.e., explicit form of CSR) has nothing to do with the notion of harmony but is essentially a tool aimed at (foreign) investors and foreign clients to raise their profiles (S11). This view is also reflected in respondents’ classification of stakeholders, when eight companies unanimously classified investors and clients as the most important stakeholders.
The respondents repeatedly used the term ‘communities’ (as in local communities) rather than society at large. At the national level, the term ‘communities’ resonates the core collectivist nature of the Chinese culture and reiterates the significance that the government attaches to the role of leading companies to maintain ‘harmony’ in their areas (ie, regions) where they operate by creating a sense of community (for their employees and their families) which ultimately raises cooperation and understanding within those communities. One CSR manager highlighted that, as their operations were spread in different regions, they had to conform to the local rules and norms that were much more detailed and more strict. For example, in the case of energy saving and emission reduction, ‘… the central government has a gross indicator, such as power limits, while those of some local governments are a lot more specific’ (M1). It transpired that the local governments set the rules and requirements that would suit their regional economy and communities to serve the prosperity of their region. In a Chinese context, there is much emphasis on the notion of harmony – which is collectivist in nature and does not render much attention to individualism and hence, individual rights. None of the companies referred to human rights as set out, for example, by the Global Reporting Initiative (GRI) guidelines, even though many of them stated to have adopted the GRI.

The dominance of the state and officials as the main norm setters was evident in the way none of the companies (that operated at the national level) had any interactions with any social groups (and/or other companies in their business environments) about their CSR activities and they merely followed the local government guidelines and policies for their CSR activities and CSR reporting. While social groups are almost non-existent in China, there appears to be no initiatives instigated by the government to encourage any changes to the current situation. Hence at the national level, the terms of CSR and CSR reporting are defined by the government. There was a common perception that CSR is still a relatively new concept for companies (M4) and the necessary matured mechanisms, including social groups (eg, independent NGOs and activist groups) and independent supportive institutions (eg, professional bodies/associations) are absent and this is why reporting CSR is more compulsory rather than voluntary in nature (S6).

**Motivations**

A number of themes emerged when we explored why companies decided to get involved in CSR and reported CSR. Table 2 presents the details of each theme, including a brief summary of the responses interviewees provided.

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3 Traditional Chinese culture with its different philosophies (eg, Confucianism, Taoism and Buddhism) embraces a notion of ‘harmony’ whereby individuals are expected to act for the benefit of the society as a whole.
### Table 2 Motivations for CSR and CSR reportings

<table>
<thead>
<tr>
<th>Themes</th>
<th>Number of companies</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government/official guidelines/requirements/policies</strong></td>
<td>8</td>
<td>Informal rules (ie, implicit and unwritten) devised by the regional governments/authorities. Very important to gain access to vital resources held by the local government/authorities. Examples include:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regular charitable donations (C2, C6), financial (as well as non-financial) support during natural disasters – all essential for ease of access to vital resources (C8) held by the local government and authorities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Environment: recycling (C5), product safety (C2, C4, C5), environment protection (C6), energy saving (C1, C7), resource consumption (C1, C3)</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Formal rules (ie, explicit and written) devised by the regional governments/authorities. Examples include:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Environmental and social disclosures as required for tax purposes (depending on regional requirements) (eg, Ministry of Finance) (C5), industry-specific requirements (C2, C11), government departments requiring companies with international clients to comply with international CSR standards (eg, Chinese International Chambers of Commerce) (C5), companies should organise CSR training sessions for staff (C4, C11). Contribution to local social/community projects (C1, C2, C3, C4, C5, C6, C8, C9)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Environment: product safety (C6, C7, C8, C9), environmental protection (all companies apart from C6, C7)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee welfare, such as employee training (all companies), liaising with employees via survey questionnaires, employee congress (all companies referred to this as an integral part of their corporate culture)</td>
</tr>
<tr>
<td><strong>Image/reputation:</strong></td>
<td>10</td>
<td>All participants stated that CSR was essential for their image and reputation and named reputations and image to a specific group:</td>
</tr>
<tr>
<td>- Foreign investors/clients</td>
<td>10</td>
<td>To be taken seriously by foreign clients (C4), investors/clients are sensitive to their supply chains (C3), product safety (C1), foreign collaborators (C9) – (all companies apart from C10)</td>
</tr>
<tr>
<td>- Authorities/government</td>
<td>4</td>
<td>Official controlled media (C11), securing access to scarce resources (C5), falling back on good reputation in case of unexpected disasters (C6, C8)</td>
</tr>
<tr>
<td>- Competitors</td>
<td>3</td>
<td>Mainly in European markets (C8, C4, C5)</td>
</tr>
<tr>
<td><strong>Investors/clients as the first and foremost important motive</strong></td>
<td>6</td>
<td>Foreign investors in Hong Kong Stock Exchange (expect us to have the same standards as our European competitors C1), liaising with their foreign clients about supply chain issues (C4, C9)</td>
</tr>
<tr>
<td><strong>Global pressure/competition</strong></td>
<td>6</td>
<td>Foreign competitors (C4, C5, C7), foreign customers (with concerns over employee- and environmental-related issues in their supply chains) (C8, C9), foreign investors (C1)</td>
</tr>
<tr>
<td><strong>Stock Exchanges</strong></td>
<td>7</td>
<td>The listing requirements of Stock Exchanges (Shanghai, Shenzhen and Hong Kong), listing requirements to be included on Socially Responsible Index.</td>
</tr>
<tr>
<td><strong>International CSR and CSR reporting standards</strong></td>
<td>6</td>
<td>Global Reporting Initiative (GRI) guidelines (C1, C4), Global Compact (C1, C4, C5, C8, C11). Industry specific (often required by the local government to comply with such standards) (C1, C8). ISO9000 (C4, C5), ISO14000 (C9), ISO26000 (C8). Formal training session organised by governmental officials for compliance with GRI standards (C4)</td>
</tr>
</tbody>
</table>
a. Government/official guidelines/policies/requirements
The dominance of the Chinese Government in setting out the agenda for CSR and CSR reporting was evident in every interview. While the government laid out formal rules, whereby companies were required to be involved in CSR activities and report on them, there were many informal rules by the government and officials that companies were expected to adhere to (see Table 2). At the national level, not all companies were required to report CSR but doing so was considered to facilitate the ease of access to financial as well as non-financial resources held by the authorities. Different regional governments paid varying degrees of attention to CSR reporting, reflecting the different importance that was attached to CSR in different regions. In some regions, there were formal rules that companies had to follow closely (eg, the Southern regions) while in others (eg, the industrial North) there were more informal rules that, on occasions, lacked clarity but were regarded by companies as important for their legitimacy to the authorities. The importance of these guidelines and rules, whether formal or informal, was such that often the executive managers (ie, the board and the chairman) were directly involved to ensure their implementations (C1, C9) to the satisfaction of the authorities so that they could secure their legitimacy to the authorities. Traditionally, it has always been the case that companies closely abided by the official policies (informal rules) to secure their legitimacy and this has continued to be the case even up to this day. As an example, the company secretary of a manufacturing company (S8) stated that several major polluting manufacturers were too late to launch new green and environmentally-friendly projects in their regions, so they were downgraded by the authorities and were relocated to less desirable areas. This meant a costly relocation as well as the loss of many of their skilled workforce.

The regional authorities required some companies to adhere to the international guidelines, such as those of the GRI or Global Compacts. They even organised training sessions for companies to elevate their understanding of what is expected of them globally (as shown in Table 2). This was particularly the case for companies that competed globally and aimed to be the global leaders in their industries (C4, C5). These companies systematically ensured their compliance with CSR rules and expectations and reported on them accordingly. For example, they had specialised CSR departments that monitored the latest international CSR standard developments and worked closely with the local government/authorities to ensure compliance.

While at the national level, the government and officials can be regarded as the major driving force for CSR and CSR reporting, the companies that had a share of the global market or had been influenced by, or had dealings with, foreign clients/investors reported CSR in response to the strong global pressures they encountered. The latter group made concerted efforts, with the support of the local government and authorities, to raise and maintain their CSR standards and reporting. In a way, they facilitated the Chinese state’s ambition to have world-class companies with the Chinese characteristics.

While traditionally the government has required the major companies to pay a great deal of attention to their employees and their welfare when operating in mainland China, the recent propagation of the explicit form of CSR by the Chinese state can be regarded as an endeavour to have the global Chinese companies in a state of harmony with the rest of the leading global companies.
b. Corporate image
The projection of a favourable ‘corporate image’ was considered by all companies as a key motive for CSR reporting. In doing so, 10 companies identified foreign investors and clients as being particularly important (as shown in Table 2). The global influence in reconsidering CSR format into a more explicit format can be regarded as a major factor for the Chinese companies to report CSR. This was first initiated by the Chinese Government who realised that opening up their trade doors to the outside world would require some degree of conformance to the same global norms and values as those of foreign clients, collaborators and competitors (mainly Europeans).

At the national level, attaining a good CSR reputation with the authorities and the media was considered as vital to maintaining corporate legitimacy and therefore access to vital resources. Interviewees explained that in the event of unexpected and undesirable incidents, they could fall back on their good reputation with the authorities. On the whole, companies took the view that the whole purpose of CSR reports was to convey positive messages about their activities and were sensitive to releasing negative information. However, unlike other developing countries (eg, Belal and Cooper’s study of Bangladesh), we found that the business environment was in a way that companies had to report CSR if they wanted to continue to operate. In addition, the Chinese state owned-media have the state’s permission to scrutinise and aggressively report on environmental-related incidents (eg, environmental incidents, product safety, health and safety accidents at work, energy savings) – which means that companies were unlikely to be able to cover up their environmental breaches or incidents. While some interviewees (C8, C9, C11) explained how they were not accustomed to bringing their problems out in the open as doing so could have adverse impacts on their share prices and the worst would be assumed about their whole procedures and operations, others took the view that as negative news will eventually appear in the media (C1, C11), it is better for companies to be honest with their investors (M1). As an example, a number of companies were honest and reported on their negative CSR incidents before the media got hold of the information and by doing so, they gained the trust and respect of their investors (foreign investors in particular) and authorities (M1). The pace of development in China is so fast that companies can easily fall behind and fail to make the necessary internal changes within a certain timeframe (eg, revising employees’ pay packages, adopting new environmental standards) (S9) and this can easily result in negative CSR incidents in the short term.

c. Investors and clients
At the national level, CSR reports could inform investors that companies with operations in different regions had fulfilled their responsibilities to their local communities and had successfully established good relationships with the local governments and authorities, and were less risky in terms of the continuity of their operations and maintaining their competitiveness. This ultimately had a favourable impact on their share prices (C2, C4, C8, C9, C11). At a global level, companies were under increasing pressure to have the same CSR standards as those of the leading global companies. For instance, companies with a large percentage of foreign shareholdings were under pressure from their investors and clients about CSR issues related to their supply chains (eg, product safety, energy saving and emission reduction).
Competitive pressures in global markets were considered as another important motive when reporting CSR. Those companies with a share of the global market and with the ambition of becoming a major, if not the leading, player in their business environments paid a lot of attention to their foreign competitors and kept abreast of their latest CSR developments (C4, C7). It was not only important to these companies to demonstrate that they were as good as their European (and other foreign) competitors but they were better than them. Some interviewees expressed that the cost of getting involved in CSR activities and reporting was minuscule for them (C4, C5).

Given the highly competitive nature of the markets, companies expressed that they would secure their legitimacy via any available means. Gaining a listing status on the Social Responsibility Index of the Shenzhen Stock Exchange, for example, was such a mean and entailed enhanced reputation before foreign investors and clients. Considering the sensitive nature of supply chain reporting, our interviewees indicated an awareness of their foreign investors’ and clients’ interest in their supply chains and the possibility of any negative publicity that could be associated with them (eg, forced labour, child labour, poor working conditions, poor living conditions and non- or partial-payment of migrant workers). Thus, they viewed CSR reporting as a tool to communicate with their existing and potential investors and clients.
The prime goal of the Chinese managers is profit maximisation and, having achieved this goal, companies consider engaging in CSR and CSR reporting as imperative for their success at the national and global levels, even though the nature of the forces companies are exposed to tends to vary considerably at each level. We suggest that the propagation of CSR by the Chinese state was not only in response to the fast economic developments and to alleviate the increasing social gaps (ie, harmonious society) but also to elevate the standard of ethical practices of the Chinese companies so that they can become legitimate members of the world-class business communities and establish their reputations as such (ie, harmonious world). The latter is in line with the ambition of the Chinese state to establish itself as a key and prominent global player that is not only economically powerful but is also responsible in its business conducts. The new format of CSR, promulgated by the government, has been viewed as a marketing tool that is essential for companies’ success in today’s business environment in China. Despite this common perception, we found differences between companies operating at the national level and those operating globally.

At the national level, companies have traditionally been accustomed to the implicit form of CSR, embedded in their corporate infrastructures. In today’s China, companies endeavour to adopt the explicit form of CSR as an illustration of their conformance to the norms and values of their national business environment. The norms and values are laid out mainly by the state at a broad national level and in more details by the regional governments/authorities. Over the years, the delegation of authority has allowed the regional governments to cater for their local needs and use their resources, leading to their economic prosperity and hence the overall economic success of the whole country. Under this institutionalised decentralisation, companies remain responsive to the pressures within their business environments by either working closely with the authorities or reporting CSR to indicate their conformance with the local norms and values. At the same time, companies recognised that the CSR reporting had aimed at enhancing their reputation as being responsible and ethical to their investors and clients. While the Chinese stock markets are not very efficient and clients may be concerned about limited CSR issues (such as the product safety, energy saving, etc.), there are also global influences that even companies with a share of the domestic market can experience, coupled with the state intervention to open up its doors to outsiders. China has recently allowed foreign investors greater access to its stock markets (Hunter, 2014) and there continues to be a surge of global interest in the Chinese shares (Deng and Hunter, 2015). Hence the current state of the business environment in China is such that the adoption of (the explicit form of) CSR and reporting on its various aspects are inevitable for the major Chinese companies operating at the national level.
Companies operating globally, on the other hand, experience a different set of pressures mainly from their global business environments where the norms and values are set out by established and powerful global leaders. The Chinese companies with a share of the global market transcend their national CSR and CSR reporting requirements. With the support of their regional governments, they raise their CSR standards so that they can conform to the global norms and values. This is in line with the central government’s strategies to help Chinese companies grow and establish themselves globally to compete with the leading global companies in their business environments so that they will eventually take them over and secure their positions as global leaders (Shambaugh, 2013; pp. 156-205). Considering that the leading Chinese companies are old SOEs and under the heavy influence of the state, they work closely with the government to achieve their wider political goals. This implies that there will remain a considerable gap between companies that have a share of the global market and those that focus on the domestic market.

The existence of the aforementioned gap propounds whether or not the propagation of CSR by the Chinese state is an endeavour to enhance the standards of CSR and CSR reporting or just a marketing tool? The evidence from this particular study suggests that CSR reporting is in its developmental stages. Considering the sheer size of the country and the variations in the economic prosperity of its different regions, how widespread CSR and CSR reporting will become, and the extent to which the global Chinese companies that have extensively adopted CSR would be able to have an impact on other companies in their regions, still remains to be seen.

In order to explicate how the Chinese state intends to achieve the notion of harmonious society/world by promoting CSR, it is important to discern that harmony has deep roots in the Chinese culture with its emphasis on collectivism. Based on the findings of this study, we take the view that we are witnessing the emergence of a new form of CSR in a South East Asian context where, for example, the notion of human rights (with all its emphasis on individualism from the European and North American perspectives) does not carry much leverage. Even though the aforementioned gap is likely to narrow down, conditional on China continuing with its prosperity and strengthening relationship with the outside world, it is always likely to remain.

While this study has allowed us to capture an overview of how CSR and the motives for CSR reporting are perceived by some of the leading executives and their managerial teams, it represents the views of a small sample of the leading listed companies and hence has limited generalisability for the listed Chinese companies.
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