

**An Investigation of Social and Environmental Reporting Practices
--- In a Chinese Context**

Na Zhao

**A thesis presented in partial fulfilment of the requirements of the degree of Doctor
of Philosophy in Management at Royal Holloway, University of London**

September 2011

Declaration of Authorship

I, Na Zhao, hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

Signed: _____

Acknowledgements

First of all, it is my great pleasure to offer my heartfelt thanks and profound respect to my supervisor, Professor Jeffrey Unerman, and my advisor, Professor Brendan O'Dwyer, for their continuous guidance, encouragement and support. Their invaluable academic intellect and superbly skilled supervision have turned the past four years into such an amazing research journey for me. I sincerely hope that, by completing this study, I have repaid their faith in taking me on as a research student.

Also, I would like to acknowledge the authors of all the sources I made reference to in this PhD research study. Without them, I would be in the dark. I am also grateful to all the organisational participants taking part in this study for their help and time.

I am very grateful to all my family members and friends. They have always been there for me throughout the past four years. This is warmly acknowledged and not readily forgotten.

Finally, most importantly and on a purely personal level, this thesis is dedicated to my mother, who inspired me all my life. Her remarkable capacity to motivate, her unconditional love and support and her unwavering confidence in my abilities were instrumental in the successful completion of this study within the stipulated time.

Abstract

This PhD research study sets its scene based on the emerging practice of Social and Environmental Reporting (SER) in the Chinese context. It investigates the extent of and motivational factors behind SER practice by Chinese national organisations in particular. The investigation includes an explicit explanation and interpretation of this SER practice. Social and Environmental Reports (SERs) are often perceived as a type of communication tool for social and environmental effects of an organisation's actions to its relevant interest groups and to society at large. Adopting the lens of neo-institutional theory this PhD research study focuses on the understanding and analysis of the reasons why Chinese companies initiate SER. A qualitative research approach was employed to investigate this particular question in this PhD research study. The main empirical data was collected by face-to-face in-depth interviews conducted in a semi-structured fashion. The data was then analysed using institutional theory to explore how different institutional factors, such as normative, coercive and mimetic isomorphism, have influenced SER practices.

The result of this study shows a subtle mixture of mimetic and normative pressures working its way through the initiation of SER in China. While the existence of regulatory institutions was recognised, the coercive pressure was decreasing under several circumstances. There is also evidence of increasing trends in the SER practice in China. In essence, the results suggest that there could be a number of different motivations simultaneously driving companies to produce SERs, and assuming that one particular motivation might dominate all others would be unrealistic.

By adopting interview methods to collect rich empirical data and utilising institutional theory as a theoretical concept, this study has delivered both a theoretical offering and a rigorous empirical contribution to the existing literature. The results do reveal the potential growth of SER practice in China. Based on this evidence, the study concludes by proposing a number of potential avenues for further research.

Contents

Declaration of Authorship.....	i
Acknowledgements.....	ii
Abstract.....	iii
List of Tables and Figures.....	xi
List of Acronyms.....	xii
Chapter One: Introduction.....	1
1.1 Background to the Research.....	1
1.2 Key Aspects of Current Literature.....	3
1.3 Research Aims and Objectives.....	5
1.4 Research Design.....	6
1.5 Research Methods.....	9
1.6 Contributions.....	11
1.7 Organisation of the Thesis.....	13
1.8 Summary and Conclusion.....	16
Chapter Two: Insights from Existing Empirical Studies.....	18
2.1 Introduction.....	18
2.2 Sustainability, Responsibility and Accountability.....	19
2.2.1 Sustainability.....	19
2.2.2 Responsibility and Accountability.....	21
2.3 Social and Environmental Reporting (SER) Practices.....	23
2.3.1 A Brief history of SER practice.....	24
2.4 A Review of the Theoretical Literature.....	26
2.4.1 Political Economy Theory.....	26
2.4.2 Legitimacy Theory.....	30
2.4.2.1 Legitimacy and Social Contract.....	32
2.4.2.2 Legitimacy and its strategies.....	34
2.4.2.3 Empirical Tests of Legitimacy Theory.....	37
2.4.3 Stakeholder Theory.....	44
2.4.3.1 The Ethical Branch of Stakeholder Theory.....	46
2.4.3.2 The Managerial Branch of Stakeholder Theory.....	49
2.4.3.3 Empirical Tests of Stakeholder Theory.....	52
2.4.4 An Introduction to Institutional Theory.....	55

2.4.4.1 Different Types of Institutional Theory	56
2.4.4.2 The Development of Institutional Theory	56
2.5 Conclusion	57
Chapter Three: Theoretical Framework	59
3.1 Introduction	59
3.2 An Overview of Institutional Theory	59
3.2.1 Differences Between ‘New’ and ‘Old’ Institutional Theory	60
3.3 An Overview of Neo-institutional Theory	62
3.3.1 Legitimacy, Institutions and Institutionalisation	63
3.3.1.1 Legitimacy Concerns	63
3.3.1.2 Institutions in Focus	64
3.3.1.3 Institutionalisation	66
3.3.2 Organisational Fields	69
3.3.2.1 Organisational Fields and Neo-institutional Theory	70
3.3.2.2 Formation of Organisational Field	72
3.4 Institutional Isomorphism	75
3.4.1 Coercive Isomorphism	76
3.4.1.1 The Stakeholder, Resource Dependency in Coercive Isomorphism	78
3.4.1.2 Empirical Evidence of Coercive Isomorphism	80
3.4.2 Mimetic Isomorphism	81
3.4.2.1 Different Perspectives of Mimetic Isomorphism	83
3.4.2.2 Mimetic Isomorphism in SER Practices	84
3.4.3 Normative Isomorphism	85
3.5 The use of Institutional Theory in Accounting Research	87
3.6 Variance in the Institutional Perspectives	90
3.7 Summary of Theoretical Literature Review and Location of Research Objectives	94
3.8 Conclusion	96
Chapter Four: Research Methodology and Methods	97
4.1 Introduction	97
4.2 Overview of the Research Methodology and Methods	98
4.2.1 Methodology and Method	98
4.2.2 Background	99
4.3 Research Methodologies	101
4.3.1 Overview	101
4.3.2 Philosophy Positions	102
4.3.2.1 Ontology	103

4.3.2.2 Epistemology	105
4.3.3 Different Approaches to Ontology and Epistemology	106
4.3.3.1 Positivism	107
4.3.3.2 Interpretivism	108
4.3.4 Middle-Range Thinking	109
4.3.5 Summary of Research Methodology	112
4.4 Aims and Objectives of This Research	113
4.5 Qualitative and Quantitative Research Methods	115
4.5.1 Overview	115
4.5.2 Qualitative Research Methods	116
4.5.3 Quantitative Research Methods	118
4.6 Research Design and Methods Employed	119
4.6.1 Overview of Research Methods	119
4.6.2 Sample selection	119
4.7 The Pilot Study	121
4.7.1 Content analysis	122
4.7.1.1 A brief review of existing content analysis research studies	123
4.7.2 Limitations of the Content Analysis Research Method	124
4.8 Interviews	125
4.8.1 Outline of the Interview Research Method	125
4.8.2 Limitation of the Interview Research Method	127
4.9 Conducting the Main Study and the Interviewing Process	129
4.9.1 Sample Selection	129
4.9.2 Dealing with Ethical Issues	130
4.9.3 Data Collection	132
4.9.4 Analysing and Displaying the Data	134
4.9.4.1 Analysing Data	134
4.9.4.2 Displaying the Data	136
4.10 Summary	137
Chapter Five: The Chinese Context - A Contextual Review	139
5.1 Introduction	139
5.2 An Overview of China	140
5.3 The Changing Chinese Economic Context	141
5.3.1 First Stage: 1949-Late 1970s	142
5.3.2 Second Stage: late 1970s – mid 1990s	143
5.3.3 The Third Stage: Mid-1990s – Present	145
5.4 The Changing Chinese Social Context	147

5.4.1 Religion	147
5.4.2 Geography and Demography of China	148
5.4.3 Education	149
5.4.4 Family	149
5.5 CSR, a historic tradition of ancient China	150
5.6 The review of social and environmental reporting in China	153
5.7 2006, the year of Social and Environmental Reporting (SER)	155
5.7.1 Laws and regulations	156
5.7.2 State-owned Enterprises	157
5.7.3 Development of social and environmental responsibility	158
5.7.4 Trade Unions	159
5.7.5 Model of Listed Companies	161
5.7.6 Industrial Pioneers	163
5.7.7 Local Government	163
5.8 Conclusion	164
Chapter Six: Empirical Insights	165
6.1 Introduction	165
6.2 The Institutional Matrix	165
6.3 Industrial Sectors	169
6.3.1 Institutional Background	170
6.3.1.1 Energy Industry	171
6.3.1.2 Financial and Banking Industry	173
6.3.1.3 Food and Beverage Industry	174
6.3.1.4 Construction and Property Development Industry	176
6.3.1.5 Manufacturing	177
6.3.2 Coercive Isomorphism	178
6.3.2.1 Industrial regulations and standards	180
6.3.2.2 Different stakeholder groups exert different levels of influences	186
6.3.3 Mimetic Isomorphism	188
6.3.3.1 Peer pressure	189
6.3.3.2 Competitive Differentiation	193
6.3.4 Normative Isomorphism	195
6.3.4.1 Professionalization and formal education	196
6.3.4.2 Function of representative departments	200
6.4 Ownership structure	202
6.4.1 Institutional Background	203

6.4.2 Coercive Isomorphism	204
6.4.2.1 Pressure from the Central Government and the County	204
6.4.2.2 Specific Requirements in Laws and Regulations	210
6.4.2.3 Social Pressures Exerted by Powerful Stakeholders	212
6.4.3 Mimetic isomorphism	214
6.4.3.1 Peer pressure	215
6.4.3.2 Strategic Positioning	218
6.4.3.3 SOEs confronted with heavy social expectations	220
6.4.4 Normative Isomorphism	223
6.4.4.1 CSR is the right thing to do	223
6.4.4.2 Different level of commitment	224
6.4.4.3 CSR training programs	227
6.5 Geographical Locations	228
6.5.1 Institutional background	229
6.5.1.1 Beijing (the Capital)	229
6.5.1.2 Yangtze River Delta (YRD) economic zone	231
6.5.1.3 Pearl River Delta (PRD) Economic Zone	232
6.5.1.4 Central Plain (CP) China	234
6.5.1.5 Hong Kong	235
6.5.2 Coercive isomorphism	236
6.5.2.1 Central Government VS. Local Government	236
6.5.3 Mimetic isomorphism	243
6.5.3.1 Different levels of pressure	243
6.5.3.2 Market strategy	246
6.5.4 Normative Isomorphism	247
6.5.4.1 Local professional networks	248
6.5.4.2 Training Programmes	249
6.6 Organisational Size	250
6.6.1 Institutional Background	251
6.6.2 Coercive isomorphism	253
6.6.2.1 External influences on large and medium size organisations	253
6.6.3 Mimetic Isomorphism	255
6.6.3.1 Peer Pressure	256
6.6.4 Normative isomorphism	256
6.6.4.1 Professional Involvements	256
6.6.4.2 Taken for granted	257

6.7 Business Orientation	258
6.7.1 Institutional Background.....	258
6.7.1.1 Export-oriented	259
6.7.1.2 Labour-intensive	260
6.7.2 Coercive isomorphism	260
6.7.2.1 Different stakeholder groups' influence.....	260
Absence of mimetic isomorphism.....	261
6.7.3 Normative Isomorphism	261
6.7.3.1 Exposure.....	261
6.8 Culture and Context	263
Absence of coercive isomorphism	264
6.8.1 Habits and Inertia.....	264
6.8.2 Social Expectation.....	265
6.8.3 Confucianism	266
6.9 Conclusion	269
Chapter Seven Further Discussion	271
7.1 Introduction.....	271
7.2 The interrelationship between institutional isomorphisms	272
7.2.1 Legislation.....	273
7.2.2 Various Stakeholder Groups	274
7.2.3 Peers and Competitors	281
7.2.4 Media and Public Attention	282
7.2.5 Personal Influence of the Professional Network.....	282
7.3 SER and CSR – Rationales for their existence	283
7.4 The Positive and the Negative	286
7.5 Conclusion	292
Chapter Eight: Implication and Conclusion.....	293
8.1 Introduction.....	293
8.2 Research Overview	293
8.3 Conclusions on the Research Aims, Objectives and Research Questions	295
8.4 Research Contribution, Limitations and Suggestions for Future Research	300
8.4.1 Research Contribution.....	300
8.4.2 Reflections on Social and Environmental Reporting Literature and Neo-institutional Theory.....	302
8.4.2.1 Reflections on Social and Environmental Reporting Literature	303
8.4.2.2 Reflections on the Use of Neo-institutional Theory	306
8.4.3 Limitations of the Research	309

8.4.4 Suggestion for Future Research	310
8.5 Conclusion	311
Bibliography.....	312
Appendices	332
Appendix 1: Interview Guide.....	332
Appendix 2: Ethics Approval Form	334
Appendix 3: Regional distribution of 2010 reports.....	336
Appendix 4: CSR Guideline for State-Owned Enterprises (SOE).....	337

List of Tables and Figures

Table 2.1: Features of Legitimacy, Stakeholder and Neo-institutional theory	29
Table 3.1: Element/Definition/ Characteristics of Institutional Isomorphism	61
Table 6.1 1: Institutional Matrix	166
Figure 2.1: Interconnectedness of organisational decisions.....	20
Figure 5.1: The SERs statistics from 1999-2010	153

List of Acronyms

ACFTU	All-China Federation of Trade Unions
APEC	Asia-Pacific Economic Cooperation
BDF	Bright Dairy and Food
CASS	Chinese Academy of Social Science
CBA	China Banking Association
CBRC	China Banking Regulatory Commission
CDRC	Central Development and Reform Committee
CMC	Chinese Ministry of Commerce
CSEAR	Centre of Social and Environmental Research
CSR	Corporate Social Responsibility
CSRC	China Securities Regulatory Commission
DPE	Domestic Private Enterprise
EHS	Environmental Health and Safety
FDI	Foreign Direct Investment
FYP	Five Year Plan
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
MEP	Ministry of Environmental Protection
MLSS	Ministry of Labour and Social Security
MNEs	Multinational Enterprises
NGOs	Non-Governmental Organisations
NIE	New Institutional Economics
NIS	New Institutional Sociology
NSSF	National Social Security Fund
OIE	Old Institutional Economics
PDB	Pudong Development Bank
PRD	Pearl River Delta
SAC	Standardization Administration of the People's Republic of China
SARs	Special Administrative Regions
SASAC	State-owned Assets Supervision and Administration Commission
SEA	Social and Environmental Accounting
SEPA	State Environmental Protection Agency
SER	Social and Environmental reporting
SEZs	Special Economic Zones
SERs	Social and Environmental Reports
SHSE	Shanghai Stock Exchange
SGCC	State Grid Corporation of China
SMEs	Small and Medium Enterprises
SOE	State-Owned Enterprise
SZSE	Shenzhen Stock Exchange
UNWCED	United Nation World Commission on Environment and Development
YRD	Yangtze River Delta

Chapter One: Introduction

1.1 Background to the Research

This PhD research study is an exploration and an investigation of Social and Environmental Reporting (SER) practices in a Chinese context. The research will be focusing predominantly on the practice of corporate social reporting (as a form of Social and Environmental Accounting (SEA)) by Chinese organisations through their Social and Environmental Reports (SERs). SERs are primarily dedicated to reporting on the interaction between organisations and society, and therefore the role of SERs will be investigated in the context of this relationship (See, for example: Adams *et al.*, 1998; Gray *et al.*, 1996a).

The core aim is to achieve an understanding and an analysis of the reasons why Chinese companies initiate SER practices through the investigation of their managers' perceptions and motivations regarding SER practices. In general, SER is considered a type of communication vehicle for social and environmental accounting issues and sustainable development. Gray *et al.* (1996a:3) define SER as:

“...the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organisations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders.”

Over the past decade, we have witnessed a sharp increase in the attention paid to Corporate Social Responsibility (CSR) (See, for example: Matten and Moon, 2005; Adams and Whelan, 2009; Werther and Chandler, 2010). As an example, there has been

a growth in the voluntary reporting practices of many corporations and organisations worldwide (Kolk, 2003; Bebbington *et al.*, 2009). Referring to Wheeler and Elkington (2001:5), “social reporting has moved from a fringe activity pioneered by socially conscious but non-mainstream companies into a credible and serious practice embraced by a number of major corporations”. Also, increasing attention has been given to social and environmental issues and corporations’ social and environmental responsibility practices (Campbell and Slack, 2006; Marquis *et al.*, 2007).

In China, in recent years, social and environmental responsibility has increased dramatically and is becoming a very important area of focus (Zheng, 2006; Wang and Chaudhri, 2009). At the same time, the number of Chinese corporations that are publishing SERs has reflected this increase (Tang and Li, 2009; Kuo *et al.*, 2011). The first social and environmental report by a Chinese organisation was published in 2005, with just four other Chinese organisations publishing SERs in the same year; by the end of 2008, this number had increased to more than 100 SERs being published (Guo *et al.*, 2010). The number of organisations now reporting has seen a phenomenal increase, with a current listing of over 600 organisations publishing SERs. This phenomenon has also occurred in other countries around the world, but not at the rate which has been observed in the Chinese context. Such an exponential growth in such a short period provides an excellent opportunity to study and analyse the motivations and factors behind this phenomenon, whereas it might prove more difficult in countries where growth has been slower.

This introductory chapter begins with an overview and outline of the key aspects in the current literature addressing social and environmental accounting, defining the core elements used as the basis for this research study. It then further identifies the apparent

empirical and theoretical gaps in the current literature that this thesis intends to address through its research and findings – and, consequently, how it goes about addressing these gaps - and its contribution to said literature. This is followed by an outline of the aims and objectives of the research study and the various methods employed to achieve its aims. The core research questions addressed within this study are then outlined and detailed, together with a guide to the structure and content of the thesis. This chapter then concludes with a summary.

1.2 Key Aspects of Current Literature

Fast economic growth and the impact it has on society and the environment have resulted in worldwide growing concerns. The conflict between economic growth and social and environmental development has attracted the attention of various parties, such as governmental bodies, media and NGOs (Yang, 2005; Maignan and Ralston, 2002). At the same time, it has spurred researchers to undertake research studies to investigate this particular social phenomenon (see, for example: Adams and Whelan, 2009; Bebbington, 2001; Solomon and Lewis, 2002). Especially within the discipline of social and environmental accounting, many studies exist that deal with the various issues regarding CSR and SER practice, the majority of which have been carried out in developed countries, such as the UK, the US, Japan and so on (See, for example: Buhr and Freedman, 2001; Farneti and Guthrie, 2009; Gray et al., 1995b; O’Dwyer, 2002; Patten, 1992).

Mainly because of differences in culture and historical background, however, it is dangerous to generalise and apply the research findings of one study to another,

especially with regard to empirical evidence. Gray et al. (1996a) warn against of the danger of applying the social and environmental accounting techniques adopted by developed countries to countries that are less so, although, on the other hand, they call for a deeper explanation of corporate social responsibility reporting issues in less developed countries.

As has been mentioned above, the majority of the existing literature in the discipline of Social and Environmental Accounting (SEA) is set in the context of developed countries (See, for example: Adams et al., 1998; Bebbington *et al.*, 2009; Campbell *et al.*, 2003; Deegan and Gordon, 1996; Kolk, 2003; Milne and Patten, 2002; Roberts, 1992). The issues of CSR and SER in developing countries have already attracted researchers' attention worldwide and a growing number of research studies have started to investigate the underlying issues affecting social and environmental accounting within developing countries (See, for example: Jamali and Mirshak, 2007; Raynard and Forstater, 2002; Zu, 2009; Ip, 2008). Only in very recent years, the scope of research studies in the field of SEA has been broadened so that a number of studies within the existing literature have looked at related issues within countries such as Malaysia, Bangladesh and a number of African countries. (See, for example, Belal and Roberts, 2010; Sumiani et al., 2007; de Villiers and van Staden, 2006).

In China, however, SER practice is still in its infancy and CSR awareness is also quite low at both the corporate and state levels (Levine, 2008). SER practices adopted by Chinese organisations seem to be largely underdeveloped and unregulated; what motivates organisations to disclose social and environmental information and procedures is unclear, especially as it is done on a voluntary basis. In reviewing prior literature, no up-to-date research study was found that successfully covered this area by

focusing on the motivational factors underpinning organisational SER practices in a Chinese context. This lack of specific literature takes on special significance because of China's great social, environmental and economical influence other Asian countries and worldwide. SER practice has emerged and has been adopted voluntarily by organisations in China only in recent years; it is therefore considered that, by carrying out a comprehensive research study on the reasons for the initiation of SER practices in China, an important contribution could be made to the advancement of the still limited existing literature.

1.3 Research Aims and Objectives

In the context of seeking to understand SER practices in China, this study adds to extant literature. As this is one of the first comprehensive research studies into SER practice in China, its nature is primarily exploratory. It seeks to cast light upon the research question:

‘Why do Chinese organisations choose to disclose information about their practices relating to social and environmental issues?’

Therefore, the purpose of this PhD research is to understand and analyse, through a major empirical investigation, the reasons why Chinese companies initiate SERs. The research questions that will serve the purpose of clarifying the research aim are:

1. What are Chinese organisations reporting and what is the organisational participants' perception of the reporting process?
2. What kind of media does the sample of Chinese organisations use for SER and what are the reasons for them to produce stand-alone SERs?

3. How do organisational participants perceive social and environmental responsibility in China?
4. What motivates Chinese organisations to disclose social and environmental information and to what extent do institutional factors influence organisational SER practice?

In addressing this research study's aims, the detailed research objectives of its empirical analysis are to:

- Provide an in-depth assessment of the nature and extent of SER practices among a sample of Chinese organisations.
- Identify key motivating factors underpinning the voluntary external reporting of social and environmental issues by the sample organisations; and
- Draw conclusions and make recommendations in terms of possible future research directions and public policy for SER practices in China.

In order to answer these research questions, the research begins by primarily discussing SER practices in the broad Chinese context. The research then adds to, and advances, the existing literature by seeking an explanation of SER practices from an organisational perception, based on the findings of a detailed research study.

1.4 Research Design

This PhD research study employed face-to-face in-depth interviews conducted in a semi-structured fashion. The resulting data was then analysed through the lens of neo-institutional theory. In this PhD research study, the theory is used to develop an understanding of how social factors shape the organisational decision in terms of initiating SER practices (See, for example: Ball, 2005, 2007; Bebbington *et al.*, 2009; Larrinaga, 2007). Organisations usually operate within a certain cultural and historical

context, which involves systems of shared beliefs, symbols and regulatory requirements (Meyer and Scott, 1985). Therefore, when one is trying to make sense of specific organisational practices, it is important to study the social context within which the organisation operates.

While taking into account legitimacy and stakeholder concerns, neo-institutional theory expands the focus from the rational, resource-dependence perception common in Social and Environmental Accounting (SEA) literature (See, for example: Milne and Patten, 2002; Deegan, 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, have influenced SER practices among Chinese organisations. Neo-institutional theory emphasises the notion of the ‘organisational field’ which is the particular context that institutions operate under in such a way as to influence organisational practices. The concept of organisational field has been described by Scott (1995:56) as a group:

‘...that partake of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field’.

Hoffman (1999) proposes that ‘organisational fields’ can form differently around different “issues” and not just “industries” or “technologies”; social contexts influence the adoption of common organisational practices (for example: operational practices, environmental responsiveness, philanthropy, staff training, reporting practices),

regardless of the industrial sector in which they operate (Mezias, 1990). This suggests that ‘organisational fields’ are best interpreted as the centre of dialogue and interaction, through which a range of various institutional factors come to bear on the participants within the field, shaping common organisational practices and influencing their rationality. Therefore, the adoption of neo-institutional theory helps to elucidate how different organisational fields, such as organisational sizes, geographical locations, industrial sectors and so on, come to influence the initiation of SER practices in a Chinese context. In this PhD research study, the particular key focus is placed on the institutional field level rather than the individual organisational level.

This research study is primarily guided by a qualitative research methodology. It presents a certain amount of descriptive data in the form of the “people’s own written or spoken words and observable behaviour” (Taylor and Bogdan, 1984:5). It also involves a detailed qualitative analytical discussion based on the interview material. The choice of adopting the middle-range thinking approach as a guide to this research is based on the researcher’s philosophical assumptions associated to ontological and epistemological viewpoints. The middle-range thinking approach recognises the existence of prior theory, but requires the researcher’s detailed interpretation. It also allows the possibility for generalisation at a broad level, with empirical variations within any research study.

This research is more concerned with understanding, rather than proving, points and focuses particularly on theoretical analysis and empirical details; it does not include any pure objective statistical generalisation. This is consistent with the argument made by Hopper and Powell (1985) that there is no such thing as a totally objective or value free investigation. However, this PhD research study has the explicit aim of theoretical

generalisability. Although neo-institutional theory is not being in any way tested throughout this study, it helps to structure the analysis; its usefulness and completeness is then reflected back upon. Philosophical assumptions give this research study a subjective nature and steer it towards an exploration of the motivational factors underpinning SER practices based on the perceptions of the organisational participants. As a result, although the research aims at an understanding of SER practices in a Chinese context, it does not intend to make any predictions and generalisable conclusions in terms of this matter.

1.5 Research Methods

Further to the discussion above, the adoption of a qualitative research methodology results in a great level of detail and richness in the gathered data, which enable the researcher to analyse SER practices in terms of the perceptions that the organisational participants bring to them. This PhD research study is seeking the answer to the question of ‘why do Chinese organisations choose to disclose information about their practices relating to social and environmental issues?’ The research methods were chosen to help to answer this research question and to achieve the research aims and objectives.

Two qualitative research methods were adopted for this study; namely, content analysis and interviews. Content analysis was only used in the pilot study, which identified, recorded and analysed all relevant social and environmental information in a range of stand-alone SERs produced by sample organisations. Through conducting the content analysis, the researcher identified the scope of the social and environmental disclosures that had been reported upon and became familiarised with the trends in SER practices in

a Chinese context. Content analysis thus helped to formulate and frame the interview questions for this PhD research study. This same research method had been employed in many previous research studies (See, for example: Milne and Adler, 1999; Smith and Taffler, 2000). Unerman (2000: 129) states:

“[content analysis] thus facilitates the systematic analysis of information disclosed within a range of corporate reports, and has been applied widely within the academic literature to analyse voluntary disclosures in corporate reports.”

In the second stage of this research study, the majority of the empirical data was collected through face-to-face interviews, which were conducted in a semi-structured in-depth manner. The in-depth interview has been considered to be the most fundamental of all qualitative research methods (Easterby-Smith et al., 2002): adopting the interview research method offered great richness and depth in terms of the understanding of the SER practices being investigated in this research study. The interview research method allowed the flexible discussion of various CSR and SER issues, which broadened the researcher’s perception and offered a more comprehensive explanation of the reasons behind the initiation of SER practice in China. It thus helped to collect empirical evidence to achieve the research aim of finding out what motivates Chinese organisations to disclose social and environmental information.

The interview research method can be easily found in many previous research studies (See, for example: Awio *et al.*, 2011; Islam and Deegan, 2008; O’Dwyer and Unerman, 2007), and its importance has been summarised by Burgess (1982:107):

“[An interview] is ... the opportunity for research to probe deeply to uncover new clues, open up new dimensions of a problem and to secure vivid, accurate inclusive accounts that are based on personal experience”.

The interview has been recognised as one of the research methods that receives the highest response rate. When conducting interviews, especially face-to-face interviews

such as those used in this research study, the interviewer has the chance to perceive non-verbal signs, such as tone of voice, facial expressions or body language. On the one hand, these non-verbal signs help to refine and adjust interview questions while, on the other hand, they also offer significant possibilities for misunderstanding. In this PhD research study, all interviews were carried out with organisational participants at a managerial level from the sample organisations. All organisational participants had a direct involvement in the process of preparing and producing SERs.

Based on the characteristics of the research methods adopted in this study, the empirical findings regarding why Chinese organisations initiated SER practices may not be generalisable overall, especially for those cases in different contexts. However, in this PhD research study, a theoretical generalisation is made possible, by looking at the usefulness of the institutional theoretical framework, and the extent to which it helped to guide this research. In addition, the research methods employed in this study do not lead to a value-free investigation. The researcher's involvement in the research process is often considered to be a crucial part of that process, and the research has every opportunity to be biased by the researcher's own beliefs (Hopper and Powell, 1985; Guba and Lincoln, 1994).

1.6 Contributions

As previously stated, this PhD research study intends to advance the existing literature by providing rich insights from a developing country and primarily to make both theoretical and empirical contributions to the SEA literature. No previous SER research study taking a qualitative approach with an in-depth focus at the organisational field

level has been carried out in China. This study makes an extensive contribution by bringing various new insights to the existing empirical literature. In particular, it explores the underlying motivations of the sample organisations in voluntarily disclosing social and environmental information in a developing country - China - as most existing literature investigates the situation of SER practices in developed countries. The findings of this PhD research study thus make a clear empirical contribution by providing a deep understanding of the SER practices in a developing country.

From a theoretical point of view, this PhD research study adopts neo-institutional theory as the fundamental theoretical framework. The research findings show that a number of mixed institutional pressures interact with various organisational field conditions to influence SER practices in China, whereas most existing literature considers the initiation of SER practices as a rational activity, resulting from motivations of legitimacy and accountability. The research insights shed new light on the adoption and nature of SER practices. The use of neo-institutional theory provided a comprehensive view of the various social factors that shaped the organisational decisions to produce SERs. In doing so, it has indeed advanced the existing theoretical literature.

Many previous research studies in the Chinese SEA field focused on SER practices based on a very descriptive approach. This research goes beyond the simple description of SER practices in China, to investigate the reasons and motivational factors underpinning those SER practices. The above contribution was made mainly from an empirical perspective, which is closely linked to the research aims and objectives.

There is an additional contribution being made by this research study, which was not part of the originally proposed research aims. Before conducting this study, it was thought that it would be very difficult to undertake interviews within China, because of a general a-priori view that it was going to be extremely difficult to get people to respond to interview requests. Evidently, there were very few interview-based studies within the SEA field in China. Thus, the additional contribution of this research study is in terms of the research method: by undertaking the interviews within the Chinese context whilst looking at accountability and CSR issues, the study demonstrates that interviews as a research method can be carried out within the Chinese context. However, the research method was adapted by the researcher to ensure that it could work within the Chinese cultural context. For example, when conducting the pilot study, it was confirmed that getting multiple organisational participants from the same sample organisation was extremely difficult; therefore, the scope of the main study was extended to make up for this deficiency. This contribution may not be found to be applicable across all different management fields of study, as the interview research method has been used in other management disciplines. However, using interviews as the main research method for seeking understanding of the underlying motivation for SER practices within the Chinese context is a contribution that may inspire further research studies in the Chinese SEA field.

1.7 Organisation of the Thesis

This PhD thesis is divided into eight chapters. Chapter 1 provides the fundamental information on SER practices in the context of social and environmental accounting, and details the core motivations behind the decision to choose this particular area of

study, by looking into the key aspects and addressing the gaps within the literature. The aims and objectives of this research study are presented in detail, followed by a brief discussion of the research scope, the research methodology guiding it and the research methods that were used to collect the data. The pursuit of the research is then discussed in the context of its proposed contribution to advancing the existing literature and its additional contributions to the empirical perspectives on social and environmental accounting.

Chapter 2 presents a comprehensive review of the insights from the existing literature and research studies in the field of social and environmental accounting. It then provides a thorough and in-depth discussion of the relevant theories that have been frequently adopted by research studies in the SEA field, such as the legitimacy theory and the stakeholder theory. The chapter concludes by briefly introducing institutional theory, which is the theoretical framework adopted in this PhD research study.

Chapter 3 introduces a theoretical framework that was identified through a review of existing literature. It starts with a brief introduction of different forms of institutional theory. It then concentrates on the explicit discussion of neo-institutional theory, which was adopted as the foundation for the theoretical framework used in this study. The chapter concludes with a further discussion of neo-institutional theory, to refine the gaps in the literature and therefore to justify the aims and objectives that were set out at the beginning of this thesis.

The first part of Chapter 4 presents a detailed introduction to the research methodology that was used to guide this study, and presents the researcher's core philosophical assumptions in undertaking this research. These assumptions are demonstrated to

support the choice of a primarily qualitative methodological approach. There follows a discussion on the research methods which were adopted in the context of the research aims and objectives. The second half of Chapter 4 details the use of the two qualitative research methods in this study and how they were refined in order to achieve the research aims and objectives. Content analysis, which was used as a research instrument in the pilot study, is then explained, followed by an examination of the in-depth semi-structured interviews that were used to collect data for both the pilot and the main study. Particular attention is given to revealing the interview data analysis process.

Chapter 5 provides background information on the particular Chinese context within which this research study took place. It describes the social, economic and political development that has taken place in China over the past sixty years. It also details the cultural and historical background in the context of SEA and SER practices.

Chapter 6 illustrates the insights gleaned from both the pilot study and the main study, through discussions on the perceptions of the corporate managers, gathered from the in-depth semi-structured interviews. The core of the chapter focuses on the key themes emerging from the interviews carried out with the organisational participants; these are summarised in a matrix form. The chapter concludes with a short summary of the interrelationship between the key themes that have been identified throughout the chapter.

Chapter 7 presents the remainder of the results obtained from the in-depth semi-structured interviews, concentrating on the motivational factors underlying SER practices among the sample Chinese organisations. The insights from the interviews are then analysed using neo-institutional theory, to explore how different institutional

factors influence SER practices. At the end of the chapter, a summary links the discussion of the identified motivational factors back to the research questions.

Chapter 8 is the concluding chapter. It restates the research aims and objectives and then demonstrates how all the materials discussed within this thesis were used to address these aims and objectives. The key findings presented in this study are discussed in the context of how they might impact the future development of SER practices in China. To conclude this thesis, the chapter also reinforces the contribution this research makes to advancing the social and environmental accounting literature on both theoretical and empirical bases. The limitations of this research study are outlined, and suggestions for possible further research are proposed.

1.8 Summary and Conclusion

This chapter laid a detailed and important foundation for the thesis. It began by providing background information for the research through the presentation of Chinese social and environmental accounting practices. It then explained the motivations underpinning this study, and addressed the aims and objectives of the research and the research questions. The researcher's philosophical belief in terms of research methodology, along with the choice of research methods, was then briefly discussed. At the end of this chapter, a guide on the organisation of the thesis chapters was provided. In general, Chapter One set the scene for this research study by providing an understanding of the concepts of CSR and SER on the one hand, and the Chinese context in which these will be examined on the other.

The following three chapters will be devoted to building a complete review of existing research literature, possible research methods and methodology and background information on the Chinese context, Chapter 2 commences this review by exploring the existing theoretical literature and research studies in the SEA field.

Chapter Two: Insights from Existing Empirical Studies

2.1 Introduction

The key question: “Why do Chinese organisations choose to disclose information about their practices relating to social and environmental issues?” is to be framed within the context of both existing Social and Environmental Accounting (SEA) literature and the Chinese contextual background. This chapter is designed to provide the first step in grounding and context in the SEA literature, whereas the background and context will be discussed in Chapter Five.

This chapter is concerned with the existing literature and research studies on Social and Environmental Reporting (SER) practices. A number of theoretical arguments are considered as to why organisations may voluntarily elect to disclose specific information to external parties. Specifically, the chapter considers legitimacy theory, stakeholder theory and (Neo-) institutional theory.

The structure of the chapter is as follows: firstly, what we mean by SER will be defined in a way that helps to identify the exact phenomenon, which will be the focus of the research analysis. Secondly, this chapter provides a thorough and in-depth critical analysis and explanation of key insights from the existing literature, by bringing in the discussion of relevant theories, such as the legitimacy theory and the Stakeholder theory (institutional theory is also briefly introduced). Clearly, it is beyond the scope of this PhD research study to review all existing literature in the SEA field, as this is extensive. Therefore, I have decided to emphasise the key theoretical and empirical literature on the basis of its impact and how it helped to develop this PhD research study in particular. In doing so, this theoretical and empirical literature review chapter further presents a

discussion on the contributions and contradictions within the existing literature and identifies how these are relevant to the purpose of this PhD research study.

2.2 Sustainability, Responsibility and Accountability

In order to understand what we mean by SER practice, it is important to begin by understanding some of its relevant terminology, such as: sustainability, responsibility and accountability. The following review offers an overview of the contemporary issues relating to the concepts linked to the above terms within the SEA context. According to Gray *et al.* (1996b) one's view regarding the social responsibility of business is influenced by how one wants to see the world. It is therefore important for this PhD research study to subscribe to its own view and to recognise a wide range of perspectives regarding CSR and SER issues. In particular, it is essential to develop an understanding of how the concepts of sustainability, responsibility and accountability emerge in existing literature within the SEA context. In order to achieve this, a review of such literature follows.

2.2.1 Sustainability

One of the most vital challenges that organisations face today is to operate in a socially, environmentally and economically sustainable manner (Hopwood *et al.*, 2010). Issues such as the over-exploitation of the Earth's resources and the irreparable damage caused by human activities have direct consequences on society and the economy for both present and future generations. It is therefore increasingly essential for organisations to understand and to respond to these pressures in order to develop a sustainable operational ethos. There are a number of definitions linked to the word 'sustainability'. For example:

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (Brundtland, 1987)

The above definition of ‘sustainability’ is the one that has been most frequently cited and was included in the final report of the United Nation World Commission on Environment and Development (UNWCED). The key question here is to consider the way we live today and its implications for the future.

The concept of sustainable development emphasises three key factors: social sustainability¹, environmental sustainability² and economic sustainability³ (Hopwood *et al.*, 2010). Figure 2.1 shows the interrelationship between these three factors and the impact that they have upon organisational actions and/or decisions.

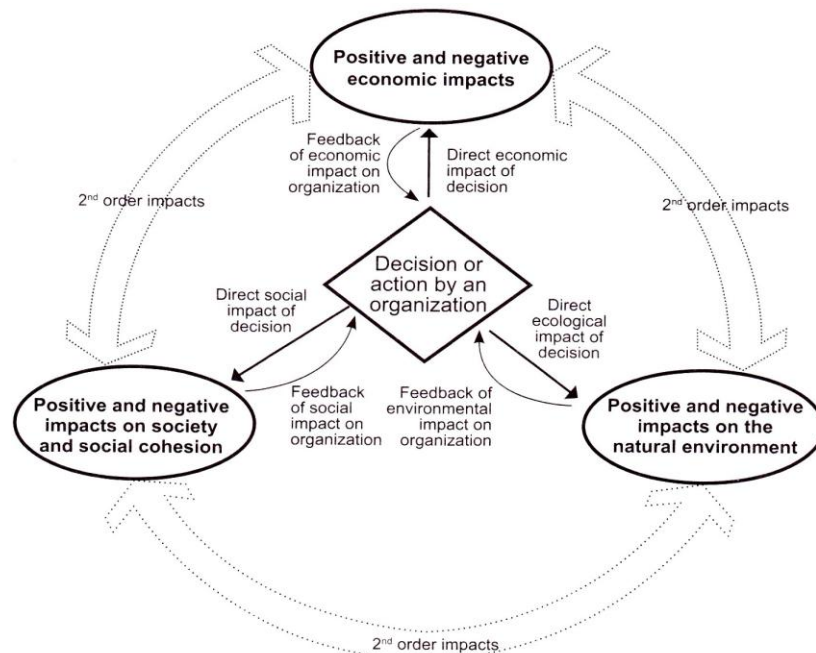


Figure 2.1: Interconnectedness of organisational decisions on the three spheres of sustainability

Source: Jeffrey Unerman, as cited in Hopwood *et al.*, 2010:4

Issues such as: environmental degradation, unethical operations and financial frauds have increased the public’s scrutiny of corporations. Corporations’ actions affect a wide

¹ “Social sustainability provides well-functioning societies that protect and enhance quality of life and safeguard human rights”. (Hopwood *et al.*, 2010:4)

² “Environmental sustainability provides a stable ecosphere that supports and protects life, including the provision of food and water”. (Hopwood *et al.*, 2010:4)

³ “Economic sustainability provides us with future income and resources”. (Hopwood *et al.*, 2010:4)

range of individuals and groups. Because of such effects, long-term corporate sustainability is important for the sustainability of the world economy and society (Schaltegger et al., 2006). By incorporating sustainability into their business practices, organisations not only counter any negative social and environmental effects but also satisfy the increasing need to reassure the public about their good behaviour and ethical conduct. As businesses extend their reach and impact, they pay particular attention to their shareholders as well as their stakeholders. Corporate managers start to see that this is an important component of business strategy. There is an increasing demand for organisations to be more transparent about their practices (White, 2009). In this case, organisations are beginning to become aware of the urgent need to recognise that they have the ethical responsibility of contributing to the development of a sustainable society and of being accountable to others. This highlights sustainable development and its underlying behaviour/actions – ‘responsibility’ and ‘accountability’.

2.2.2 Responsibility and Accountability

Organisations are inevitably connected to the society and the environment in which they operate. They need to meet various social expectations in order to gain society’s recognition and approval, and this ultimately contributes towards the organisations’ continued existence.

Individuals, societies and nations are becoming aware of, and responding to, the significant challenges raised in balancing social, environmental and economic sustainability. It is thus not surprising that there are higher expectations on the corporations’ performance and requests for them to be more responsible and more accountable.

‘Responsibility’ and ‘accountability’ are considered to be important aspects of many organisations. A common understanding of responsibility was discussed by Mintzberg (1983:38): “Social responsibility is not telling society what is good for society but responding to what society tells the firm society wants and expects from it”. Whereas accountability is defined by Gray *et al.*, (1996a:38) as “the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible”. These two words are often incorrectly used interchangeably but they are not usually interchangeable.

Organisations face responsibility for their actions, ranging from a legal responsibility, which may be minimum, to a high level moral responsibility (Gray *et al.*, 1997). Given that many commentators argue that corporations have a moral responsibility, they are appropriate subjects of praise or blame and, to this end, corporate activity helps to satisfy the need for accountability (Benston, 1982; Cooper and Owen, 2007).

Organisations should meet the demand to justify their actions in terms of responsibility, and be willing to acknowledge any failure to fulfil their responsibility, e.g. through SERs. SERs act as the vehicle for providing social and environmental data designed to satisfy accountability relationships and to indicate corporate consciousness through a moral discourse on social and environmental issues (Walton *et al.*, 2000). They reflect organisations’ responsibility and accountability in creating a socially, environmentally and economically sustainable society amongst business corporations.

Corporations can therefore be held to account. As Spence and Gray (2007:12) explain: “accountability arises from responsibility and, at a basic level, becomes a statement of the extent to which society’s expectations of responsibility have not been met by any

single organisation”. Environmental accountability values can be developed through a discourse of accounting, indicated by the extent of transparency and completeness (Parker, 2005).

In recent years, there has been an increasing demand for all organisations to be more transparent in their actions and practices, such as how they treat the environment, how they deal with social conflicts, how they govern themselves and how they treat their employees and the local communities of which they are a part (Porter and Kramer, 2006). Many organisations worldwide have implemented reporting schemes that disclose information about their social and environmental practices; the performance of their subordinate units reflects their management’s decision to consider accountability and social and environmental performance to be as important as economic performance (Kolk, 2005).

2.3 Social and Environmental Reporting (SER) Practices

The term SER has been variously defined and used in the SEA discipline. SER has been considered a type of organisational accountability practice and a form of social accounting (Gray, 2001). It provides internal and external stakeholders with an account of an organisation’s performance with regard to socially and environmentally sustainable development (Owen et al., 2001). SER has also been frequently referred to as social responsibility accounting (Mathews, 1984), social accounting (Gray, 2000), and corporate social disclosure (Belal, 2001). In view of such terminological variety and in order to avoid confusion and gain a better understanding, it might be useful to provide a definition of the term. Gray *et al.* (1987: ix) describe it as:

“...the process of communicating the social [, ethical] and environmental effects of organisations’ economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organisations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders”

2.3.1 A Brief history of SER practice

As SER becomes more prevalent, it is important to review the history of how SER evolved. Since the 1960s, there has been an increasing request for organisations to focus upon and disclose more than just financial information (White, 2009). By the 1990s, rapid worldwide economic growth and globalisation drew attention to the impact that many large corporations had in terms of social and environmental issues (Perrin, 2008). The frequent exposure of social conflicts and environmental accidents, such as poor working conditions, sweatshops, child labour and excessive pollution, put many corporations on the defensive (Zadek, 2007). To be more responsive to these exposures, many organisations began to engage with their stakeholders and to disclose socially and environmentally related information (Lewis and Unerman, 1999). From around the mid-1990s, reporting on aspects of the social and environmental impact of organisations’ performances has become an increasingly popular practice (Buhr, 2007). The reporting practice, which started with the disclosure of non-financial information in annual reports, has developed into producing separate, stand-alone SERs in more recent years. Since the late-1990s, many organisations have also made increasing use of the Internet to disclose information relating to aspects of their social and environmental policies and practices (Adams and Frost, 2004). The Internet has also been considered by a number of organisations as being an effective communication tool to engage in dialogues with a

variety of stakeholder groups regarding a range of social and environmental information (Rinaldi and Unerman, 2009).

Despite the worldwide increase, in recent years, in the number of reporting organisations, there is still a large percentage of organisations which do not engage in SER practices (Deegan and Unerman, 2011). On the one hand, a very small number of organisations are focusing on sustainable development as their business goal – Unilever, for example, emphasised the building of a sustainable business in its Millennium development goals – on the other hand, many others insist that the generation of profits for the benefit of shareholders is of greatest importance for them (Baron, 2007; McWilliams and Siegel, 2001). The reasons behind such reporting (or non-reporting) behaviour need to be investigated.

If companies take social responsibility into account, they are expected to be open regarding the relevant activities (Slater and Gilbert, 2004). This means that organisations should take the trouble to inform people who wish to receive information (Global Reporting Initiative, 2006).

There are different ways to communicate this kind of information. For example, governments and shareholders have the legal right to receive information through reporting. Shareholders receive information through annual reports or meetings, and NGOs and the media receive information through discussions, interviews or press releases (Jose and Lee, 2007:294). In recent years, one of the most popular ways for organisations to disseminate information about their social and environmental related activities is by seeking to combine the reporting of their social and environment

results/achievements with their financial results into a single unified comprehensive performance account (See, for example: Yongvanich and Guthrie, 2006).

Following the earlier discussion, SER is the term that is used in this research. SER is used as a vehicle for accounting for environmental and social issues, and sustainable development. Thus SER is what is variously referred to as “social accounting/reporting, environmental accounting/reporting, corporate social reporting or sustainability/sustainable development reporting” (Spence and Gray, 2007:12). However, there are obvious overlaps and distinctions between these different types of reporting. SER is the 'umbrella' term which is used in this PhD research study to address all these attempts at the self-reporting of social and environmental information.

2.4 A Review of the Theoretical Literature

In the previous section, the relationship between sustainability, social responsibility and accountability has been highlighted and a brief history of SER practices has been provided. In this section, the emphasis now is going to be placed on the theoretical literature. The following discussion considers a number of theoretical arguments as to why organisations might elect to disclose particular social and environmental information to external parties. These theoretical arguments are grounded within political economy theory, including legitimacy theory, stakeholder theory and (Neo)-institutional theory.

2.4.1 Political Economy Theory

Legitimacy theory and stakeholder theory are both considered to be derived from a broader theory which is referred to as political economy theory (Gray *et al.*, 1996b).

Institutional theory, which will be introduced at the end of this chapter, can also be linked to political economy theory. Defined by Gray *et al.* (1996a:47), political economy is “the social, political and economic framework within which human life takes place”. This perspective can be interpreted as that society, economics and politics are closely linked together, and economic issues can only be meaningfully explained when taking into account the political, social and institutional framework in which the economic event takes place. This therefore implies that, when considering political economy, a researcher is provided with an opportunity to consider the broader issues that influence organisational decisions on reporting practices. According to Guthrie and Parker (1990:166):

“The political economy perspective perceives accounting reports as social, political, and economic documents. They serve as a tool for constructing, sustaining and legitimising economic and political arrangements, institutions and ideological themes which contribute to the corporation’s private interests. Disclosures have the capacity to transmit social, political, and economic meanings for a pluralistic set of report recipients.”

As has been argued by many in professional accounting, corporate reports can be potentially biased and partial. However, as further stated by Guthrie and Parker (1990:166), corporate reports are “a product of the interchange between the corporation and its environment and attempt to mediate and accommodate a variety of sectional interests”. This echoes the view of Burchell *et al.* (1980:6), which suggests that accounting can ‘not be seen as a mere assembly of calculative routines, it functions as a cohesive and influential mechanism for economic and social management’.

Understanding political economy theory in general helps to provide a solid foundation for theoretical review in the following sections. Political economy theory has been divided into two broad categories, which are considered by Gray *et al.* (1996a) as

‘classical’ and ‘bourgeois’ political economy. Related to the works of philosophers such as Karl Marx, Gray et al. (1996a:47) state that classical political economy theory clearly places “sectional (class) interests, structural conflict, inequity, and the role of the state at the heart of the analysis”. In contrast, the ‘bourgeois’ political economy theory “largely ignores these elements and, as a result, is content to perceive world as essentially pluralistic”. Both legitimacy theory and stakeholder theory derive from this branch of political economy theory, whereas institutional theory can fit into either a classical or a bourgeois conception of political economy theory (Deegan and Unerman, 2011).

In recent years, one of the key growth areas within the accounting field have been SEA research studies (See, for example: Gray, 2010; Unerman, 2008). Since the 1970s, when this particular SEA subject was introduced (Beams and Fertig, 1971; Churchman, 1971; Linowes, 1972; Mobley, 1970), many theories have been adopted by various research studies within this field. It is important for researchers to be aware of the different possible theoretical frameworks before conducting their research study. Following from the discussion above, there are three key theories that have been identified in the research studies that investigate the underlying reasons for SER practice, these are legitimacy theory, stakeholder theory and neo-institutional theory. These three theoretical perspectives have been adopted by several academic researchers in recent times. They have also been referred to as ‘system oriented theories’. In accordance with Gray et al., (1996a:45):

“... A system-oriented view of the organisation and society... permits us to focus on the role of information and disclosures in the relationship(s) between organisations, the state, individuals and groups’.

The key distinctive features of the three theories are outlined in the table 2.1 below:

Table 2.1: Distinctive Features of Legitimacy, Stakeholder and Neo-institutional theory

Theoretical Framework	Characteristics	Similarities	Differences
Legitimacy Theory	<ul style="list-style-type: none"> ➤ Ensure to operate within the bounds and norms of the respective societies ➤ Bounds and norms not static so organisation required to be responsive ➤ Relies on the notion of a ‘social contract’ ➤ Proposes a relationship between corporate disclosure and community expectations ➤ Perspective adopted by many researchers of social responsibility reporting ➤ Highlights the strategic nature of reporting practices ➤ Used to attempt to explain disclosures 	<ul style="list-style-type: none"> ➤ Systems-based theories ➤ Derived from Political Economy theory ➤ The relationships between organisations, the State, individuals and groups. ➤ Influenced by and influences the society 	<ul style="list-style-type: none"> ➤ Bourgeois Political Economy Theory ➤ It does not rely on the economics-based assumption that all action is driven by self-interest and wealth maximisation or make assumptions about the efficiency of markets ➤ Usually consider society as a whole
Stakeholder Theory ---Ethical (moral) or Normative branch	<ul style="list-style-type: none"> ➤ All stakeholders have the right to be treated fairly by an organisation ➤ Issues of stakeholder power are not directly relevant ➤ Management should manage the organisation for the benefit of all stakeholders ➤ Firm is a vehicle for coordinating stakeholder interests ➤ Management have a fiduciary relationship to all stakeholders ➤ Where interests conflict, business managed to attain optimal balance among them ➤ Each group merits consideration in its own right 		<ul style="list-style-type: none"> ➤ Bourgeois Political Economy Theory ➤ Specifically considers the different stakeholder groups within society, and how they should best be managed
positive (managerial) branch	<ul style="list-style-type: none"> ➤ Attempts to explain when corporate management will be likely to attend to the expectations of particular (powerful) stakeholders ➤ More organisation-centred ➤ Organisation will not respond to all stakeholders equally, but to the most powerful ➤ Expectations and power relativities of various stakeholders change over time 		
Neo-institutional theory	<ul style="list-style-type: none"> ➤ Provides an explanation of why organisations tend to take on similar characteristics and forms ➤ Explains how mechanisms for giving and maintaining legitimacy become institutionalised ➤ Particular organisational forms might be adopted in order to bring legitimacy to the organisation ➤ Links organisation practices to societal values ➤ Organisational form tends towards some form of homogeneity 		<ul style="list-style-type: none"> ➤ Provides a complimentary perspective to both legitimacy theory and stakeholder theory

Legitimacy theory, stakeholder theory and institutional theory can all be used to explain the role of information and disclosure in the relationships between the organisations, the State, individuals and groups. A key issue that has been recognised by these theories is that an organisation is influenced by, and influences, the society in which it operates. The features of each individual theory will be discussed in the following sections, starting with the introduction of the legitimacy theory.

2.4.2 Legitimacy Theory

In the general management research discipline, legitimacy theory is one of the most widely utilised theories when attempting to explain why corporate management undertakes certain organisational actions. It is not a theory that is used to provide prescriptions regarding what management ought or should do (Deegan and Unerman, 2011). It has frequently been used in SEA research studies, and appears to be the pre-eminent explanatory theory in this field (See, for example: Magness, 2006; Mobus, 2005).

Traditionally, the notion of 'legitimacy' was recognised in terms of economic performance only (Patten, 1991). As long as an organisation was successful in being profitable, it was considered to be legitimised. About a couple of decades ago, society's perception of business started to change. Tinker and Niemark (1987:84) state that "the public, in general, became increasingly aware of the adverse consequences of corporate growth". In other words, society began to demand that companies address the impact they have on the society.

The legitimacy theory posits that organisations will continually seek to ensure that they operate or are perceived to operate within the bounds and norms of their respective

societies (Deegan and Unerman, 2011). These bounds and norms are expected to change over time. Organisational legitimacy requires organisations to be consistently responsive to the social and environmental issues at hand.

Legitimacy theory has been considered to be the most broadly used theory to explain the adoption of new environmental accounting practices, especially the external reporting of social and environmental issues (Deegan and Gordon, 1996; O'Donovan, 2002; O'Dwyer, 2002; Patten, 1992).

In the context of SER, legitimacy is defined as:

“...a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy” (Lindblom, 1994:2).

An alternative definition was suggested by Suchman (1995:573-4) as “the generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within a social system”. Within the context of legitimacy theory, organisations seek to ensure that they operate within the bounds and norms of their respective societies and to make sure their activities are perceived to be ‘legitimate’.

For an organisation seeking to be perceived as legitimate implies that what is more important is how society collectively perceives the organisation's practices rather than the actual organisational practice that shapes legitimacy. The disclosure of certain information helps in establishing corporate legitimacy. As Suchman (1995:574) describes:

“An organisation may diverge dramatically from societal norms yet retain legitimacy because the divergence goes unnoticed. Legitimacy is

socially constructed in that it reflects a congruence between the behaviours of the legitimated entity and the shared (or assumed shared) beliefs of some social group; thus legitimacy is dependent on a collective audience, yet independent of particular observers”.

A similar view has been raised by Nasi *et al.* (1997:300):

“A corporation is legitimate when it is judged to be ‘just and worthy of support’ (Dowling and Pfeffer, 1975). Legitimacy therefore is not an abstract measure of the ‘rightness’ of the corporation but rather a measure of societal perceptions of the adequacy of corporate behaviour (Suchman, 1995). It is a measure of the attitude of society toward a corporation and its activities, and it is a matter of degree ranging from highly legitimate to highly illegitimate. It is also important to point out that legitimacy is a social construct based on cultural norms for corporate behaviour. Therefore, the demands placed on corporations change over time, and different communities often have different ideas about what constitutes legitimate corporate behaviour”.

Legitimacy theory has come to stress how corporate management reacts to community expectations. It offers researchers, and the wider public, a way to critically unpack corporate disclosures.

2.4.2.1 Legitimacy and Social Contract

Legitimacy theory envisages a “social contract” between the organisations and the society in which they operate (Mathews and Perera, 1993). This is a virtual, rather than a physical, contract in that it exists only in the perceptions of those with an interest in it. It has therefore no definitive list of requirements and no means to indicate the relative importance of each individual requirement.

‘Social contract’ is a complex term and is not easy to define. According to Deegan and Unerman (2011:325) this concept is used to represent “the multitude of implicit and explicit expectations that society has about how the organisation should conduct its operations”.

Referring to the earlier section, traditionally, the most favourable way to measure an organisation's performance was profit maximisation (See, for example: Abbott and Mosen, 1979; Heard and Bolce, 1981; Patten, 1991, 1992; Ramanathan, 1976). This perspective of organisational legitimacy therefore argues profitability to be the sole criterion for conferring the status of legitimacy on the firm. However, general public expectations have undergone dramatic changes in recent decades. Expectations have shifted from profit maximisation to a more social-oriented focus. The portrait of a successful organisation is of one that reacts and attends to the social and environmental consequences of its practices. (Heard and Bolce, 1981)

Organisations "agree" to operate within certain bounds imposed by society in order to enjoy continued access to product and resource markets, this means that the organisation must appear to consider the rights of the public at large, not merely those of its investors. Lindblom (1994:21) argues that, for an organisation to be legitimate in this context, it must establish congruence between "the social values associated with or implied by their activities and the norms of acceptable behaviour in the larger social system of which they are part".

It is considered that an organisation's survival will be threatened if society perceives that it has breached its social contract. Where society is not satisfied that the organisation is operating in an acceptable, or legitimate, manner, then society will effectively revoke the organisation's "contract" to continue its operations. This may occur through consumers reducing or eliminating the demand for the organisation's products, factory suppliers eliminating the supply of labour and financial capital to the business or constituents lobbying the government for increased taxes, fines or laws to

prohibit those actions which do not conform to the expectations of the community (Deegan and Unerman, 2006).

As is implied by the legitimacy theory, organisations in general are considered to have no inherent right to resources; rather, organisations must earn the right to access them. Legitimacy and the right to operate are inseparable. Mathews and Perera (1993:26) argues:

“The social contract would exist between corporations (usually limited companies) and individual members of society. Society (as a collection of individuals) provides corporations with their legal standing and attributes and the authority to own and use natural resources and to hire employees. Organisations draw on community resources and output both goods and services and waste products to the general environment. The organisation has no inherent rights to these benefits, and in order to allow their existence, society would expect the benefits to exceed the costs to society”.

2.4.2.2 Legitimacy and its strategies

As discussed in the previous section, society’s expectations change over time, organisations consequently need to adapt and change. That is, if society’s expectations regarding certain organisational practices change, an organisation then needs to show that its practices are, or are perceived to be, changing, otherwise it will have to justify why they have not (Deegan and Unerman, 2011). Organisations need to closely monitor changing social expectations and to adapt to them accordingly. To the extent that the actual or perceived behaviour of an organisation departs from the social values and norms held by the significant sectors, its “social contract” is damaged, its legitimacy is threatened and a legitimacy “gap” may develop unless it undertakes specific strategies.

O'Donovan (2002) therefore points out that legitimacy strategies are adopted by corporation seeking legitimisation, and they might be used to either gain, maintain, or repair legitimacy. According to O'Donovan (2002:356): the "legitimisation" techniques/tactics chosen will differ depending upon whether the organisation is trying to gain or extend legitimacy, to maintain its current level of legitimacy, or to repair or to defend its lost or threatened legitimacy". O'Donovan (2002: 366) emphasises that all legitimisation techniques rely upon disclosure.

Dowling and Pfeffer (1975) also suggest tactics that organisations could adopt when facing legitimacy threats:

- The organisation can adapt its output, goals and methods of operation to conform to prevailing definitions of legitimacy and communicate such;
- The organisation can attempt, through communication, to alter the definition of social legitimacy so that it conforms to the organisation's present practices, output and values;

And/or

- The organisation can attempt, through communication, to become identified with symbols, values or institutions which have a strong base of legitimacy.

We may argue that, with the first tactic, even though the organisation may have already changed its activities in line with stakeholder expectations; it still may not have adequately addressed the legitimacy threat unless society is made aware of the actual change. The latter two methods involve communication or disclosure. It can be assumed that, without the communication or disclosure of the actual changes to the legitimacy conferring stakeholder groups, organisations can still face legitimacy threats (De

Villiers and Van Staden, 2006). In other words, organisations may still face legitimacy problems even when they will have complied with society's expectations but have failed to communicate or disclose the fact. Newson and Deegan (2002:185) assert that "legitimacy is assumed to be influenced by disclosure of information and not simply by (undisclosed) changes in corporate actions". Deegan *et al.* (2000) also indicate the notion that legitimacy is about disclosure.

Consistent with Dowling and Pfeffer's legitimisation strategies, Lindblom (1994:9) identifies four courses of action that an organisation can employ when its perceived actions are in conflict with the expectations of broader society:

- "Seek to educate and inform its 'relevant publics' about (actual) changes in the organisation's performance and activities which bring the activities and performance more into line with society's values and expectations";

This strategy is usually used to respond to a realisation that a 'legitimacy gap' exists due to an actual performance failure.

- "Seek to change the perceptions that 'relevant publics' have of the organisation's performance and activities – but not change the organisation's actual behaviour (while using disclosures in corporate reports to falsely indicate that the performance and activities have changed)";

This strategy is often used as a response when an organisation assumes that there is a legitimacy gap arisen through a misperception/misunderstanding on the part of the broader society within which it operates, or when it just does not want to change its activities (e.g. because of costs)

- "Seek to manipulate perception by deflecting attention from the issue of concern onto other related issues through an appeal to, for example, emotive symbols, thus seeking to demonstrate how the organisation has

fulfilled social expectations in other areas of its activities”.

This strategy is used for the purpose of manipulation. For instance, when an organisation is being perceived as having a legitimacy gap of excessive pollution, it will choose to ignore this fact and emphasise instead its altruism by donating to a cancer charity.

- “Seek to change the external expectations of its performance, possibly by demonstrating that specific societal expectations are unreasonable”.

This strategy is chosen when an organisation believes that broad society has impractical or incorrect expectations of its responsibilities.

Most of the tactics presented above allow organisations to keep performing actions which are at a variance with their social contract or try to change social expectations so they do not need to change any specific action. It is therefore important to identify what kind of legitimisation tactics an organisation is adopting so as to be able to infer the motive for its communication or disclosure to the broader society. However, as Lindblom expresses, social and environmental disclosures can be implemented for each of these tactics. Thus, SER disclosure can be structured in such a way as to “narrow the ‘legitimacy gap’ between how the organisation wishes to be perceived and how it actually is” (Campbell, 2000).

2.4.2.3 Empirical Tests of Legitimacy Theory

Prior research evidence shows that the legitimacy theory is one of the earliest theoretical frameworks to have been used in SEA discipline. It has been used by numerous researchers to examine SER practices and has been used to attempt to explain

disclosures. In many cases, SER practices have been considered as forming part of the portfolio of strategies employed to bring legitimacy to or maintain the legitimacy of the organisation (Campbell, 2000; Deegan, 2002). However, there is no single generally and universally accepted empirical conclusion reached by such research studies; many researchers have found various evidence to support the use of the legitimacy theory to explain SER practices.

One of the early research studies, conducted by Hogner (1982), linked legitimacy theory to corporate social disclosure policies. This research study investigated the US steel Corporation's corporate social reporting based on its annual reports over a period of 80 years, starting from 1901. The data was then analysed for year to year variations. The results showed that the extent of corporate social disclosures varied from year to year and Hogner argued that such variations could imply a response to society's changing expectations regarding corporate practices.

One of the most significant research studies in SEA discipline was carried out by Patten (1992). He examined the effect of the 1989 Exxon Valdez Alaska oil spill on the information disclosed by US petroleum companies other than just Exxon Oil Company. This research study found a significant increase in the extent of environmental disclosures, just as legitimacy theory suggests that, after the spill, they would have increased the level of disclosure of their annual reports. His results also showed that an increase in disclosure occurred across the industry in the post-1989 period, even though the oil spill incident involved only one oil company; the results therefore support the legitimacy theory arguments. He (1992:475) states:

“It appears that, at least for environmental disclosures, threats to a firm’s legitimacy do entice the firm to include more social responsibility information in its annual report”.

A longitudinal research study of corporate social and environmental disclosures in the UK for the period 1979 to 1991 was carried out by Gray *et al.* (1995b). In their study, they looked at trends in corporate environmental disclosure policies and utilised legitimacy theory in the context of legitimating strategies suggested by Lindblom (1994). Through an analysis of the extent and types of corporate disclosure, they state (1995:65):

“The tone, orientation and focus of the environmental disclosures accord closely with Lindblom’s first, second and third legitimisation strategies ... Increasingly, companies are being required to demonstrate a satisfactory performance within the environmental domain. Corporate social reporting would appear to be one of the mechanisms by which the organisations satisfy (and manipulate) that requirement”.

They also comment on legitimacy theory as it enriches the understanding of corporate social disclosure practices.

Deegan and Rankin (1996) also adopted legitimacy theory. It was used in their research to explain changes in annual report environmental disclosure policies related to proven environmental prosecutions. Their research found prosecuted companies enacted a significantly higher level of environmental disclosure in the year of the prosecution than in any other year and that prosecuted companies disclosed more environmental information than non-prosecuted companies.

Another key research study in the area is the one by Campbell *et al.* (2003). Through their investigation into voluntary social reporting in three FTSE sectors, they discovered that legitimacy theory may have the explanatory power to explain SER behaviour in some cases but not in others. Firstly, they found that the volume of social disclosures in

the organisations' annual reports varied substantially between organisations and industry sectors, and over time. They also found some empirical evidence of inconsistency with what legitimacy theory would suggest. They recognised that “those companies that would be (according to legitimacy theory) expected to disclose more (because of society's negative perceptions) do not always do so and those companies with a lesser apparent legitimacy gap sometimes disclose more” (2003: 573).

Last but not least, the research study by Deegan et al. (2002) investigated the disclosure practices of BHP Ltd⁴ over a period of 15 years. They examined whether an organisation (especially BHP Ltd.) would enact social and environmental disclosures in response to particular social expectations, especially expectations changing over time. The results of the research study support the legitimacy theory. This research provided evidence that managers will disclose social and environmental information to legitimise their organisations' place within the society in which they exist. The research study further suggested that: “higher levels of disclosure will only occur when community concerns are aroused, or alternatively, until such time that specific regulation is introduced to eliminate managements' disclosure direction” (Deegan et al., 2002:335).

Research studies by both O'Donovan (2002) and Milne and Patten (2002) generated findings that generally support the use of the legitimacy theory in explaining annual report disclosure practices. In the former research, legitimacy theory was emphasised during the investigation, the results showing a positive indication of the use of legitimacy theory as an explanatory factor for the managerial decision to make social and environmental disclosures in annual reports. One of the major research findings was that the significance of an individual environmental event has a major effect on

⁴ It is one of the Australian's largest diversified public companies.

environmental disclosure decisions. When a threat is perceived to be minimal, then none or fewer disclosures will be deemed necessary. The latter research study concluded that, under certain circumstances, positive social and environmental disclosure can maintain or repair an organisation's legitimacy. Milne and Patten found that those subjects who received the "legitimising disclosures" tended, when adopting a long-term investment horizon, to invest more in the poorly performing company than those who did not receive the legitimising disclosures. However, the same results do not hold in a situation when an organisation faces the need to adopt a short-term strategy. As a result, consistency of the above findings with the legitimacy theory's proposition was only found in those situations in which managers needed to devise a long-term investment strategy.

While legitimacy theory might provide useful knowledge, it can still be considered to be an under-developed theory. There remains deep scepticism amongst many researchers regarding its effectiveness in offering very useful insights into the voluntary disclosures of corporations (Bebbington et al., 2008). For example, do legitimising activities actually work and, if so, which forms of disclosure are the most successful in changing community views about an organisation? Is an annual report the most effective medium?

Another key limitation of legitimacy theory is that it is a very broad theory and, therefore, much observed behaviour can seem to fit its explanations, implying a limitation to its explanatory power. Also, legitimacy theory tends to focus on society at large; it neither explores the different levels of influence that social and environmental disclosures may have on specific groups within society, nor the mutual exclusivity of the expectations of different powerful stakeholders. As reported by Deegan (2002:21):

“... proponents of legitimacy theory often talk about ‘society’, and compliance with the expectations of society (as embodied within the social contract); however, this provides poor resolution given that society is clearly made up of various groups having unequal power or ability to influence the activities of other groups.”

A number of prior research studies have found evidence of inconsistencies when adopting legitimacy theory as a factor to explain SER practices. Firstly, Wilmshurst and Frost (2000) investigated the link between the importance of specific factors in social and environmental disclosure decision-making and actual SER practices in Australia. The results of their research study indicate that the factors recognised had had different levels of influence on the managers’ decisions to disclose environmental information. Some of the factors examined were recognised as being important considerations in the decisions to disclose social and environmental information, although such considerations did not seem to be translated into quantitative values. Managers may feel the need to legitimise the social and environmental impact of their organisations in response to general changes in the perceived importance of social and environmental issues, thus they may produce social and environmental disclosures in order to meet the information needs of society in general and various stakeholders in particular. Nevertheless, this research study offers “limited support for the applicability of legitimacy theory as an explanation for the decision to disclose environmental information” (Wilmshurst and Frost, 2000:22).

Secondly, O’Dwyer (2002) conducted his research from the management’s point of view, exploring the managerial perception of CSR. He directly sought insights into the managers’ motivations to disclose social and environmental information within annual reports and whether they considered the use of social and environmental disclosure as a legitimisation strategy. However, the findings of this research study

tend to question the effectiveness of legitimacy theory in explaining SER disclosures. In general, it can be seen that the role of social pressures in engendering the need for companies to be more responsive is evidenced by the tendency of managers in environmental sensitive sectors to be more proactive in producing social and environmental disclosures in their annual reports; this is tied to a desire to repair legitimacy. Further investigation showed that many of these companies actually disclosed minimal social and environmental information. "A general perception is provided that, in Ireland, legitimising disclosures are unlikely to succeed and could be counterproductive" (O'Dwyer, 2002:107). There is a view that the Irish people tend not to focus on positive achievements due to suspicions regarding the companies' actual performances, otherwise there would be an increase in questions regarding their actions/performances. Therefore, O'Dwyer concludes that, at least in the Irish context, SER would not be normally used for legitimisation purposes or adopted as part of legitimacy strategies.

The differences in research findings raise the question that legitimisation strategies, where adopted, may differ from country to country. Researchers may need to consider national, historical and cultural contexts. Campbell et al. (2003), in their research study, examined to what extent voluntary social and environmental disclosures represent an attempt to close a perceived legitimacy gap. They found that the level and content of an organisation's social and environmental disclosures may depend on the nature of their main products. They found that, especially in structurally illegitimate companies, "legitimacy can never be attained in the eyes of some constituencies and the objective cannot be to restore something they never had." In such cases, the aim may be simply to limit or deflect the damage to legitimacy. Finally, they concluded that their research findings were inconsistent

with legitimacy theory and that “it was found that companies that are expected to disclose more (because of society’s perceptions) do not always do so and companies with a lesser apparent legitimacy gap sometimes disclose more”.

From the above research studies, it is not difficult to identify the relationship between corporate disclosure and society’s expectations proposed by legitimacy theory. Although it is motivated by economic self interest in the value of legitimacy, legitimacy theory relies on the notion of ‘social contract’. It is therefore very much oriented towards the social side of the argument when used to explain SER practices. It may be found to neglect some non-social factors, such as, Wealth maximisation; efficiency of capital markets, economic incentives and so on.

2.4.3 Stakeholder Theory

Stakeholders have long been considered an important target group for social and environmental disclosure (Elkington, 1993) and have been found to exert pressure for changes to organisations’ products and/or processes (Hardwick, 1991). Freeman and Reed (1983:91) define stakeholders as: any identifiable group or individual who can affect the achievement of an organisation’s objectives, or is affected by the achievement of an organisation’s objectives. Typically, stakeholders are groups, such as shareholders, creditor, and employees (and, for each of these, their dependents) and less directly, may be considered to include local communities, local charities, future generations, government, media, etc.

Many similarities can be seen between legitimacy theory and stakeholder theory, and because of this, it would be wrong to treat them as two totally isolated theories. As Gray *et al.* (1995a:52) suggest:

“ It seems to us that the essential problem in the literature arises from treating them as competing theories of reporting behaviour, when ‘stakeholder theory’ and ‘legitimacy theory’ are better seen as two (overlapping) perspectives of the issue which are set within a framework of assumptions about ‘political economy’”.

From the stakeholder point of view, legitimacy theory pertains to the actions an organisation will take to gain/maintain/repair its legitimacy in order to meet the expectations of society in general, whereas stakeholder theory relates to the organisation’s relationship with specific groups of people who have a more direct interest in its operation. One of the key differences here relates to the term ‘social contract’. Stakeholder theory recognises that different stakeholder groups have different opinions about how an organisation should operate and behave, therefore, instead of one ‘social contract’ with society in general, as suggested in legitimacy theory, stakeholder theory takes into account the existence of various ‘social contracts’ with different stakeholder groups. Consistently with this view, the differences between these two theories largely relate to issues of resolution; stakeholder theory emphasising how an organisation interacts with particular stakeholder groups, and legitimacy theory focusing on its interactions with ‘society’ as a whole. To consider the explanations of managerial actions offered by either theory, Gray *et al.* (1995a:67) state, in relation to SEA research:

“The different theoretical perspectives need not be seen as competitors for explanation but as sources of interpretation of different factors at different levels of resolution. In this sense, legitimacy theory and stakeholder theory enrich, rather than compete for, our understandings of corporate social disclosure practices”.

However, there are researchers who hold a slightly different view than the one stated above; they believe that these theories are more disconnected in nature. For instance, Nasi *et al.* (1997:296) suggest that, although the perspectives “are not precisely

competing, each leads to a different general prediction regarding the likelihood and evolution of a corporate response in the face of a social issue”. They further argue (1997:303) that “although the perspectives agree on the need and reality of issue management activities, they disagree on the nature of issue management and on the managerial motivation for issue management”

The stakeholder theory has both an ethical (moral) or normative (prescriptive) branch and a positive (managerial) branch⁵ (Deegan and Unerman, 2011). The two branches of the stakeholder theory are going to be considered in the following sections.

2.4.3.1 The Ethical Branch of Stakeholder Theory

The ethical perspective of stakeholder theory considers that all stakeholder groups have the right to be treated fairly by an organisation, and management should consider the interest of all stakeholders when managing the organisation. The issues of stakeholder power are not directly relevant in this case. In other words, an organisation’s responsibility to any particular stakeholder group should be determined by the organisation’s impact on its life experience, rather than the influential (economic) power the group itself has over the organisation. As Hasnas (1998:32) discusses:

“When viewed as a normative (ethical) theory, stakeholder theory asserts that, regardless of whether stakeholder management leads to improved financial performance, managers should manage the business for the benefit of all stakeholders. It views the firm not as a mechanism for increasing the stockholders’ financial returns, but as a vehicle for coordinating stakeholder interests, and sees management as having a fiduciary relationship not only to the stockholders, but to all stakeholders. According to the normative stakeholder theory, management must give

⁵ ‘Stakeholder theory is a somewhat troublesome label because it is used to refer to both an empirical theory of management and a normative theory of business ethics, often without clearly distinguishing between the two’ (Hasnas, 1998:26).

equal consideration to the interests of all stakeholders and, when these interests conflict, manage the business so as to attain the optimal balance among them. This of course implies that there will be times when management is obliged to at least partially sacrifice the interests of the stockholders to those of the other stakeholders. Hence, in its normative form, stakeholder theory does imply that business has true social responsibility”.

Further to this view, within the ethical branch of stakeholder theory, stakeholders have basic rights which should not be violated⁶. As Stoney and Winstanley (2001:608) state that fundamental to the ethical branch of stakeholder theory is a:

“Concern for the ethical treatment of stakeholders, which may require that the economic motive of organisations – to be profitable – be tempered to take account of the moral role of organisations and their enormous social effects on people’s lives”.

There is a view that a successful organisation is one that satisfies the various and sometimes conflicting demands of the various stakeholder groups. This is consistent with the redefinition of the purpose of the firm as proposed by Freeman and McVea (2001:82), as they state: “the very purpose of the firm is, in our view, to serve as a vehicle for coordinating stakeholders. It is through the firm that each stakeholder group makes itself better off through voluntary exchanges”.

As discussed in earlier sections, many people can be identified as stakeholders based on the very definition of the term. However, Clarkson (1995) sought to classify stakeholders into ‘primary’ and ‘secondary’ groups. A primary stakeholder is defined as “one without whose continuing participation the corporation cannot survive as a going concern” (1995:106). Secondary stakeholders are defined as “those who influence or affect, or are influenced or affected by, the corporation, but are not engaged in

⁶ This contrasts with the view provided in Friedman (1962:133): “few trends could so thoroughly undermine the very foundation of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine”.

transactions with the corporation and are not essential for its survival” (1995:107). According to Clarkson, different stakeholder groups could possibly be treated differently, i.e. primary stakeholders should be given preferential treatment by the corporation as, in the long run, they influence the corporation’s very survival.

Clarkson’s classification of primary stakeholders would be similar to the stakeholder’s definition applied from a managerial perspective of stakeholder theory, however, this focus on primary stakeholders has been challenged by many researchers working within the ethical branch of stakeholder theory.

Not only does the ethical branch of stakeholder theory argue that all stakeholders have the right to be considered by the corporation, it also promotes the notion of ‘rights to information’. All stakeholder groups should have the right to demand information about how the organisation is affecting them, even if they do not have a direct impact on the organisation’s survival and even if they choose not to use that information (see, for example, O’Dwyer et al., 2005). Combining this perspective with the notion of ‘accountability’⁷, the role of corporate social reporting has been thus defined by *Gray et al.* (1991:15) as follows:

“The role of corporate social reporting is to provide society-at-large (the principal) with information (accountability?) about the extent to which the organisation (the agent) has met the responsibilities imposed upon it (has it played by the rules of the game?)”.

Under this perspective, reporting is assumed to be driven by responsibility, rather than demand (Deegan and Unerman, 2011). The role of reporting practices is to inform

⁷ *Gray et al.* (1996:38) define accountability as: “the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible”. It involves two responsibilities: “first, the responsibility to undertake certain actions (or to refrain from taking actions); second, the responsibility to provide an account of those actions”.

society in general. In turn, society has the right to be informed about the extent to which an organisation's responsibility has been fulfilled.

Despite the above discussion on the normative perspective on how organisations should interact with all their stakeholder groups, in reality, the perspective on how organisations *should* act is not the same as the one on how they actually *do* act⁸. For this reason, it is difficult to validate or confirm the various perspectives by empirical observation. As Donaldson and Preston (1995:67) suggest:

“In normative uses, the correspondence between the theory and the observed facts of corporate life is not a significant issue, nor is the association between stakeholder management and conventional performance measures a critical test. Instead a normative theory attempts to interpret the function of, and offer guidance about, the investor-owned corporation on the basis of some underlying moral or philosophical principles”.

As mentioned in the previous discussion, an alternative view of this is provided by the managerial branch of stakeholder theory, which will be discussed in the following section.

2.4.3.2 The Managerial Branch of Stakeholder Theory

The managerial perspective of stakeholder theory takes a more organisation-centred approach to explain when corporate management will be likely to consider the expectations of particular powerful stakeholder groups. Gray *et al.* (1996a:45) explain:

⁸ However, Donaldson and Preston (1995) argue that observation shows that “corporate decisions are frequently made on the basis of ethical considerations, even when doing so could not enhance corporate profit or shareholder gain”. Such practice, according to them, is considered to be not only appropriate but desirable. They further argue that: “corporate officials are not less morally obliged than any other citizens to take ethical considerations into account, and it would be unwise social policy to preclude them from doing so.”

“Here (under this perspective), the stakeholders are identified by the organisation of concern, by reference to the extent to which the organisation believes the interplay with each group needs to be managed in order to further the interests of the organisation. (The interests of the organisation need not be restricted to conventional profit-seeking assumptions.) The more important the stakeholder to the organisation, the more effort will be exerted in managing the relationship. Information is a major element that can be employed by the organisation to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval”.

As mentioned earlier, within the ethical branch of stakeholder theory it is difficult to test the various perspectives by empirical observation. However, this is not the case in the managerial branch of stakeholder theory, where perspectives can and are usually tested by way of empirical observation.

Both legitimacy theory and the ethical branch of stakeholder theory consider the interest of the society or of the organisation that is part of the wider social system. However, within the managerial branch of stakeholder theory, the key focus is on certain stakeholder groups within society and how to best deal with them if the organisation is to survive. Like legitimacy theory, the managerial branch of stakeholder theory recognises that the expectations of the various stakeholder groups will have an impact on organisational practices. However, the organisation will not attend to all stakeholders' expectations equally, but rather will primarily respond to those stakeholders that are considered to be ‘powerful’⁹ (Eesley and Lenox, 2006; Buhr, 2002).

The degree to which stakeholders are to be considered powerful depends on the degree of control they have over the resources required by the organisation (Ullmann, 1985).

⁹ Similar perspectives can be found in Nasi *et al.* (1997); they suggest that the most powerful stakeholders will be attended to first; and in Wallace (1995:87), who argues that “the higher the group is in the stakeholder hierarchy, the more clout they have and the more complex their requirements will be”.

However, power in itself is stakeholder-organisation specific, a particular stakeholder group may be more powerful with respect to one organisation and less to another.

Following the discussion above, while attending to the powerful stakeholder's demands, e.g. resource-related ones, as suggested by the managerial branch of stakeholder theory, some of these demands may be linked to the provision of information about the organisation's practices and activities. According to a number of researchers, the greater the importance to an organisation of a specific stakeholder's resources/support, the greater the probability that that stakeholder's expectations will be incorporated into the organisation's operations (See, for example, Ullmann, 1985; Friedman and Miles, 2002). Applying this perspective to the SEA field, activities such as SER practices could be directly related to a particular stakeholder group's expectations. Hence, organisations will be motivated to disclose certain information about their performance to the most powerful stakeholder groups, to clearly show that they are meeting stakeholder expectations. While addressing the powerful stakeholders' demands and expectations, it is suggested that organisations balance the expectations of the various stakeholder groups. Unerman and Bennett (2004) argue that, as these expectations and the relative power balance can change over time, organisations must continually adapt their operating and reporting behaviours accordingly.

Within the managerial branch of stakeholder theory, information disclosure is considered by Gray *et al.* (1996a:46) as "a major element that can be employed by the organisation to manage (or manipulate) the stakeholders in order to gain their support and approval, or to distract their opposition and disapproval". This echoes with the legitimisation strategies suggested by Lindblom (1994) as discussed in an earlier section. In relation to SER practices, Roberts (1992:599) argues:

“Social responsibility activities are useful in developing and maintaining satisfactory relationships with stockholders, creditors, and political bodies. Developing a corporate reputation as being socially responsible through performing and disclosing social responsibility activities is part of a strategy for managing stakeholder relationships”.

2.4.3.3 Empirical Tests of Stakeholder Theory

By considering the two branches of stakeholder theory separately, it could be argued, from the theoretical point of view, that, when making organisational decisions, management could be either ethically aware or might be focusing on organisational survival. However, the empirical cases are usually far more complicated. In fact, management could be driven by both ethical and performance considerations at the same time. Many prior research studies have tended to explain the underlying reasons for social and environmental responsibility disclosures and have tested the stakeholders’ ability to impact on such disclosures by looking at the data through the lens of stakeholder theory.

Roberts (1992) conducted a research study to empirically test the ability of stakeholder theory to explain one specific corporate social responsibility activity — social responsibility disclosure. His research study found evidence to support this application; the research findings indicated that the measures of stakeholder power, strategic posture and economic performance are significantly related to the levels and types of corporate social disclosure.

In their research study, Neu et al., (1998) found evidence that supports the notion that certain stakeholder groups can be more effective than others in requiring/demanding social environmental disclosures. Their research study analysis focuses on three aspects: “the influence of external pressure on environmental disclosures in annual reports,

including the amount and types of strategies used in disclosure; the characteristics of environmental disclosure vis-à-vis other “social” disclosures; and the association between environmental disclosures and actual performance” (Neu *et al.*, 1998). They not only focused on the multiplicity of competing stakeholder groups – financial stakeholders, government regulators and environmentalists, but also on the different levels of influence held by different stakeholder groups demanding different levels of information disclosure. The research study aimed at investigating whether such social and environmental disclosures highlighted positive environmental actions, disguised negative environmental effects or both. Neu *et al.* (1998) conclude that, compared to the demands for information issued by environmentalists, organisations are more reactive to the information requirements of financial stakeholder group and government regulators; thus they tend to provide a higher level of social and environmental disclosures to such groups. Their research findings also confirm that, when organisations face conflicting situations, they tend to respond to the issue by providing disclosures that meet the information needs of the most important stakeholder groups; thus downplaying the demands or expectations of less important ones.

How stakeholder power influences the decisions on corporate social disclosure has been recognised as a key area for research, and a large number of research studies have been carried out in developed countries. However, fewer studies have been conducted in developing countries. Within the context of a developing country, Islam and Deegan (2008) investigated the SER practices of a major trade organisation, which had the right to issue garment manufacturers with export licences to sell their products to foreign buyers operating within Bangladesh. Islam and Deegan conducted an interview-based study with the senior executives from that organisation. The results reveal that the organisation’s operating and disclosure policies were largely influenced by the

expectations of multinational buying companies, which they considered to constitute their most powerful stakeholder group. Also, the multinational buying companies' expectations were influenced by western consumers' expectations. This research study also identified the change in perceived pressures¹⁰.

In terms of SER practices, the managerial branch of stakeholder theory does not directly provide answers about what information should be disclosed, other than suggesting that information disclosures can be useful to the continued operation of a business entity. This raises difficulties in determining who the most important stakeholders are and what their expectations in terms of information disclosure are.

However, prior research studies have not yet reached a universal acceptable conclusion about the extent to which stakeholder theory can explain an organisation's social and environmental performance and its relevant reporting system. It can be quite limiting to use stakeholder theory as an isolated explanation within this PhD research study or even to a more general extent, since most of stakeholder theory neglects one of the issues that motivates this PhD research study: the conditions under which organisations are likely to adopt new environmental accounting practices.

As such, scholars have argued that stakeholder theory "has not been very successful in addressing the social and economic imperatives that often confront organisations in contradictory ways" (Margolis and Walsh, 2003:280). As discussed in an earlier section, stakeholder theory includes both ethical and managerial perspectives. When discussing

¹⁰ One of the senior executives stated: "in the 1990s, multinational buyers only wanted product, no social compliances were required and no restriction was placed on the employment of child labour. Now multinational buying companies have changed their attitudes towards us, perhaps because of the pressures from western consumers. We had to change ourselves following buyers' requirements and to fit with global requirements and restrictions. Western consumers and human rights organisations pressured foreign buyers, and then foreign buyers pressured us". (Islam and Deegan, 2008:860)

these perspectives separately, it could be argued that corporate management could either be ethically responsible for its activities or solely focused on the financial performance/survival of the organisation; in real life, management practices are likely to occupy a position of balance somewhere along the continuum between these two absolute positions. Considering each of these two perspectives separately would only lead to a partial view, as managers from any organisation would hardly ever take absolute extreme positions based on either of these two perspectives. Because managers from the majority of organisations are influenced by both ethical and managerial perspectives – not one or the other exclusively – when making their decisions regarding social and environmental disclosures.

Institutional theory adopts a system-orientated theoretical perspective, which has only recently adopted by researchers for the analysis of voluntary corporate SER practices. It suggests that, due to the increasing institutional pressures mounting on organisations; these tend to adopt similar forms and practices in any given organisational field. This will be discussed in detail in the following chapter.

2.4.4 An Introduction to Institutional Theory

As this PhD research study focuses on the reasons underpinning SER practice in China, neo-institutional theory is employed to generate emerging insights on how the social context affects the organisational decision to initiate SER practices. It is thus important to consider the development of institutional theory within SEA literature. The following sections provide a brief overview of the evolution of institutional theory, considered as a foundation for the more in-depth discussion of the neo-institutional theoretical framework presented in Chapter Three.

2.4.4.1 Different Types of Institutional Theory

There are several trends in the institutional analysis of organisational behaviour, and a variety of types of institutional theory have been used in literature to gain insights into organisational change. These include: Old Institutional Economics (OIE), New Institutional Economics (NIE) and New Institutional Sociology (NIS). OIE is concerned with “the institutions that shape the actions and thoughts of individual human agents” within an organisation (Scapens, 2006:11). In so doing, it disagrees with the neo-classical economic approach and seeks to explain the influence of economic agents regarding to their rules and routines (Scapens, 2006). In contrast to OIE, both NIE and NIS shift their focus upon the impact of the organisational external environment. NIE is concerned with “the structures used to govern economic transactions” (Scapens, 2006). It takes a traditional economics approach and applies economic rationality and market assumptions to examine the governance of organisations. NIS is concerned with the institutional (social and cultural) factors and pressures that shape organisational behaviour and practice. This PhD research study adopts a NIS/neo-institutional perspective, hereafter referred to as neo-institutional theory.

2.4.4.2 The Development of Institutional Theory

It is now more than thirty years since a new perspective emerged in institutional theory. The concept of neo-institutional arguments was first suggested by John Meyer and his colleagues, beginning in the year 1977 (Meyer and Rowan, 1977; Meyer et al., 1978; Meyer et al., 1991; Zucker, 1977). As the early institutionalists advocated, institutional theory recognises the importance of ‘institutional’ forces, and argues that these, rather than simple technological imperatives (Lawrence and Lorsch 1967; Thompson, 1967) and resource dependencies (Pfeffer 1972; Pfeffer and Salancik, 1978), are reflected in

formal organisational structures. Scott (2008) further argues that both technical (rational) and institutional (non-rational) factors exert different pressures on organisations. In general, rational factors are concerned with the need to ensure organisational economic/market efficiency, while non-rational factors relate to the need to meet social norms, rules and expectations (Scapens and Burns, 2000; Scapens, 2006).

One of the key questions that neo-institutional theory asks is why organisations appear to be similar. One of the key questions this PhD research study aims to answer is why Chinese organisations decide to initiate SER practices. The number of SER reporters has increased dramatically in the past few years, this ‘homogeneous’ behaviour seems to reflect the context of institutional theory. Institutional theory is therefore adopted to generate insights on how the social environment impacts on organisational decisions relating to SER practices.

2.5 Conclusion

This chapter was divided into three sections. Firstly, it presented an overview of the relevant terminology and background information of this PhD research study. This was done in order to provide a context within which to place this PhD research study. Secondly, a review of the existing literature on the theoretical evidence in the SEA discipline was presented and was further divided into two broad sections. The first part included a discussion on the key theories that have been used in the SEA field, such as legitimacy theory and stakeholder theory. It examined how these key theories played an instrumental role in prior research studies and their limitations in relation to this PhD research study. The second part presented an introduction to institutional theory and a brief review of its evolution in literature. This chapter, in general terms, has provided a

solid foundation for a more in-depth discussion on the key theoretical framework of neo-institutional theory guiding this PhD research study, presented in the following chapter.

Chapter Three: Theoretical Framework

3.1 Introduction

This chapter presents a more in-depth explanation of neo-institutional theory as the theoretical lens which will be adopted to carry out analysis in this PhD research study. The chapter is divided into two main sections. Firstly, it presents an overview of institutional theory, which includes an analysis of how the notions of ‘organisational field’, ‘institution’ and ‘institutional isomorphism’ have been defined and understood in literature and how they are linked to the context of this PhD research study. Secondly, a further discussion of neo-institutional theory will be conducted in conjunction with the presentation of existing literature to provide an in-depth explanation of how neo-institutional theory was used by prior researchers and how it serves as the theoretical framework for this PhD research study. The chapter concludes with a summary of a few points, specifically the limitations and critiques of neo-institutional theory.

3.2 An Overview of Institutional Theory

The origin of institutional theory can be traced back to the nineteenth century. A substantive use of institutional theory can be found in various disciplines, such as economics, political science, and sociology. The unique feature of this theory is that it adopts an open system perspective, which postulates that organisations are strongly influenced by the environments in which they operate.

In fact, socially constructed norms and rules exercise an enormous control over organisations – both on how they are structured and on how they make decisions and perform (Scott, 2003). As social norms and rules may vary over time and from place to

place, institutional concepts provide a means to study organisational emergence and change. This is echoed by Lounsbury and Ventresca (2002), as they consider that institutional theory places particular attention to how social structures of resources and meanings are constructed and to what extent they have important consequences.

3.2.1 Differences Between 'New' and 'Old' Institutional Theory

'New' institutional theory developed quite rapidly from the mid 1970's until the present day. It has particularly developed within the area of organisational analysis and is frequently considered as a break from rational-actor models (See, for example: Zucker 1991; Scott 1987). Later on, neo-institutional theory was extended to the broader management academic literature by researchers such as Meyer and Rowan (1977); DiMaggio and Powell (1983); Powell and DiMaggio (1991); and Zucker (1977, 1987). By contrast to old institutionalism, that Powell and DiMaggio (1991) identified as presenting the issues of influence, coalitions, and competing values as central, along with power and informal structures, new institutionalism is more concerned with legitimacy, the embeddedness of organisational fields and the centrality of classification, routines, scripts and scheme (Meyer and Rowan, 1977; DiMaggio and Powell, 1991).

Another perspective in which neo-institutional theory differs from the 'old' institutional theory is that it focuses more on the cognitive aspects of institutions, and therefore on culture, as carriers of institutions (Scott, 1995), while 'old' institutional theory concentrated more on the role of habit. In addition, neo-institutional theory places a particular focus on understanding the bases of stability of social forms and the meanings associated with them, while differing in identifying the elements that create these conditions (Scott, 2003).

One question neo-institutional theory proposes is why organisations within the same sector adopt homogeneous organisational structures, management practices, and operational procedures. In response to this, DiMaggio and Powell (1983) propose the concepts of coercive, mimetic and normative isomorphism to describe the manner in which an organisation conforms to be considered legitimate by other organisations in its field, regardless of the immediate efficacy and actual usefulness of the acquired structures, practices, and procedures. Table below shows a summary of these key institutional elements within neo-institutional theory.

Table 3.1: Element/Definition/ Characteristics of Institutional Isomorphism

Institutional Isomorphism		
Element	Definition	Characteristics
Coercive	Both formal and informal pressures exerted on an organisation by other parties upon which it is dependent, and by the expectations of the society within which it operates.	<ul style="list-style-type: none"> ➤ The environment acts over the organisational structure through the imposition of structures ➤ Rule setting; monitoring; recompense; punishment.
Mimetic	When an organisation attempts to imitate a more successful referent organisation.	<ul style="list-style-type: none"> ➤ Form a culturally based and conceptually correct support of legitimacy that becomes unquestioned.
Normative	Professionalization, i.e. the collective struggle of members of an occupation to define the conditions and methods of work.	<ul style="list-style-type: none"> ➤ Focus on values and norms that could be applicable to all members of the collective or to specific actors.

3.3 An Overview of Neo-institutional Theory

This PhD research study employs neo-institutional theory as the conceptual framework to analyse the reasons underpinning SER practices in Chinese organisations. Neo-institutional theory is adopted as developed by DiMaggio and Powell (1983, 1991) and Scott (1995); in particular, organisational field and institutional isomorphism analysis are used.

DiMaggio and Powell's neo-institutional framework is just one of many existing institutional theory frameworks. It takes legitimacy into consideration, and focuses on how particular organisational practices may be adopted in order to bring legitimacy to an organisation. According to Carpenter and Feroz (2001:565):

“Institutional theory provides another lens through which to view economic resource dependency incentives for accounting rule choice. Institutional theory views organisations as operating within a social framework of norms, values, and taken-for-granted assumptions about what constitutes appropriate or acceptable economic behaviour (Oliver, 1997). According to Scott (1987), ‘organisations conform [to institutional pressures for change] because they are rewarded for doing so through increased legitimacy, resources, and survival capabilities’”.

In particular, DiMaggio and Powell (1983: 148) focus on explaining the high degree of similarity between organisations. They state:

“We ask why there is such startling homogeneity of organisational forms and practices; and we seek to explain homogeneity, not variation. In the initial stages of their life cycle, organisational fields display considerable diversity in approach and form. Once a field becomes well established, however, there is an inexorable push towards homogenisation”.

According to DiMaggio and Powell, various forces, rather than just one, dominate factors existing within society to cause organisational practices to become similar. As they further state (1983:148):

“Once disparate organisations in the same line of businesses are structured into an actual field (as we shall argue, by competition, the state, or the professions), powerful forces emerge that lead them to become more similar to one another”.

3.3.1 Legitimacy, Institutions and Institutionalisation

3.3.1.1 Legitimacy Concerns

From an institutional point of view, Scott (1995:45) defines legitimacy as “not a commodity to be possessed or exchanged, but a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws”. Indeed, this perspective of legitimacy has represented a crucial part of the studies which have drawn upon the neo-institutional theory view, as this refers to the level of cultural support that an organisation receives when meeting the demands and expectations of its institutional environment.

Organisations try to generate legitimated elements in order to gain and maximise social acceptance, thus increasing their capability for survival (Meyer and Rowan, 1977). In this case, so-called legitimacy is considered as something that conforms to accepted rules, norms, practices and frames of reference at the next highest level. This means, for instance, that the employees’ behaviour should be legitimated at firm level, while the acceptance of the firm’s performance should be confirmed at the field and societal level (Holm, 1995).

Organisations presenting a lack of legitimacy may be challenged and their behaviour may be punished (Scott, 1991). However, organisations are not totally at the mercy of the institutional order; they may also act to change the institutions themselves (Barley and Tolbert, 1997; Holm, 1995) or act to manage an appearance of legitimacy (Suchman, 1995).

As mentioned above, neo-institutional theory is based on the premise that organisations act in response to various pressures from their institutional environments and adopt organisational structures and management practices that are considered to be the appropriate choice by the broader society and considered legitimate by other organisations in their field, regardless of their actual usefulness (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Carpenter and Feroz, 2001). This basic premise of neo-institutional theory proposes a standardisation to and harmonisation with certain predominant norms (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Carpenter and Feroz, 2001, Tagesson, 2007). Essentially, neo-institutional theory highlights the relationship between organisations and the environment within which they operate.

3.3.1.2 Institutions in Focus

A firm is an organisation rooted in both its own institutional environment, including previously established organisational structures, standards, and management practices (Meyer and Rowan, 1977), and in its external institutional environment, including other organisations such as regulators, suppliers, consumers, and competitors (DiMaggio and Powell, 1983; Granovetter, 1985).

The 'institution' is one of the key components in the institutional environment. The literature suggests that institutions are "the central conceptual pillar in a neo-institutionalist framework" (Prakash, 1999:332). In a society, institutions have been recognised by North (2009: 3) as "the rules of the game in a society or, more formally, the humanly devised constraints that shape human interaction". These "rules of the game" make up an institutional framework, which exercises formal and informal control over the decisions/choices that firms make (North, 1990; Oliver, 1997). The formal constraints may include political rules, legal standards, and economic contracts, whereas the informal constraints are likely to include socially approved codes of conduct and norms of behaviour, which are rooted in culture and beliefs (North, 1990).

Another widely accepted definition of institution is suggested by Scott (1995: 33): "institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers – cultures, structures, and routines – and they operate at multiple levels of jurisdiction". Therefore, in a society, institutions are recognised to steer individual actions in a specific direction, due to the predefined patterns of which the institution is constructed, and thus facilitate or constrain individual behaviour/practices (Vermeulen et al., 2007).

The neo-institutional notion of institutions has had a dominant influence upon the view of organisations as creators and consumers of legitimacy, as well as physical outputs and resources (Barney, 1991) and "the various coercive, normative and mimetic processes through which they are, or are not, rationalised as legitimate in their actions and organisation" (Ezzamel et al., 2007:151).

Many institutional theorists (DiMaggio and Powell, 1991; Meyer and Rowan, 1991; Suchman, 1995) contend that the institutional order plays an important role in the performance of organisations. Organisations and managers do not operate independent of the institutional environment, but rather are embedded in an institutional order/framework. The institutional framework interacts with the organisations by indicating which decisions/choices are acceptable and supportable. As a result, institutions help organisations to reduce uncertainty (Li and Peng, 2008). DiMaggio and Powell (1991) expatiate on this view, that the institutional framework provides organisations with patterns and templates of organising. In turn, these are viewed here as consisting of practices that facilitate and manage the performance of an organisation's different functions, for example, organisational strategy and structure.

3.3.1.3 Institutionalisation

Institutional theorists hold the idea that regulated organisational behaviours are the outcome of the norms, values and beliefs that originate in the context of institutional environments and to which organisations conform. The process through which organisations become institutionalised is referred to as institutionalisation. Selznick (1957) explains this process as “something that happens to an organisation over time, reflecting the organisation's own distinctive history, the people who have been in it, the groups it embodies and the vested interests they have created, and the way it has adapted to its environment” (as cited in Scott, 1995:18). Furthermore, Covaleski and Dirsmith (1988:562) define institutionalisation as: “the processes by which societal expectations of appropriate organisational form and behaviour come to take on rule-like status in thought and action”.

The legitimated organisational structures or management practices of one organisation can spread to other organisations in the same field through tradition, by coercion, through imitation and normative pressures (Meyer and Rowan, 1977; Palmer et al., 1993; Scott, 1987). Institutional pressures force organisations to adopt similar practices. Organisations must conform to institutional pressures if they are to gain and increase legitimacy within their organisational field. Similarly, Carpenter and Feroz (2001:569) advocate:

“...that an organisation’s tendency toward conformity to predominant norms, traditions and social influences in their internal and external environments will lead to homogeneity among organisations in their structures and practices”.

Carpenter and Feroz (2001) further argue that successful organisations are those that receive support and legitimacy by conforming to social pressures.

The institutional environment is vital for an organisation’s success or even for its survival. Having said this, the rules and regulations that exist within the institutional environment do not necessarily ensure an organisation’s continued efficient operation (Meyer and Rowan, 1977; DiMaggio and Powell, 1983).

DiMaggio and Powell (1983) argue that there are three types of institutional mechanisms that stimulate similarity or isomorphism in organisational fields, that is, coercive isomorphism – the emphasis on the rules and laws that support the institutional order – mimetic isomorphism – the force of uncertainty that encourages the imitation of behaviours – and normative isomorphism – the focus on the taken for granted organisational behaviour. Furthermore, DiMaggio and Powell posit that institutional isomorphism occurs as “individual actors and organisations adopt, or have imposed upon them, a wider belief system and a cultural framework that promotes the replication

of the structures, activity patterns, and cultural mores that are present in their environments”. (Cited in: Mckee et al., 2005: 290)

Given the popular understanding of neo-institutional theory as a theory of isomorphism, Lounsbury (2008:255) summarises that “researchers interested in the dynamic and flow of activity patterns have tended to eschew institutional approaches in favour of more grounded forms of intra-organisational research – much of which draws upon emergent theories of practice” (See, for example: Chia and Holt, 2006; Gherardi and Nicolini, 2000; Jarzabkowski, 2005; Lave and Wenger, 1991; Nicolini et a., 2003; Orlikowski, 2008; Schatzki et al., 2001; Tsoukas, 2000).

In recent years, neo-institutional theory is being adopted by several accounting researchers, by which it has been used to explain various accounting practices, such as management accounting practices (See, for example: Vaivio, 1999; Vámosi, 2000; Scapens, 2006), audits (See, for example: Rollins and Bremser: 1997; Spiller, 2008) and voluntary corporate reporting practices and so on. Dillard *et al.* (2004: 506) state that:

“Institutional theory is becoming one of the dominant theoretical perspectives in organisation theory and is increasingly being applied in accounting research to study the practice of accounting in organisations”.

Institutional theorists believe that practices are fundamentally embedded in cultural systems that are “structured as an embodiment of the range of activities, social conflicts, and moral dilemmas that individuals are compelled to engage with as they go about negotiating the sorts of everyday events that confront them in their lives” (Mohr, 1998:353). Neo-institutional theory conceptualises social and environmental reporting (SER) practice constructs as institutions or potential institutions.

In this PhD research study, one of the key reasons for the adoption of neo-institutional theory as the theoretical framework on which to base the investigation of the reasons for the initiation of voluntary SER practices in China is that it provides a complementary perspective, to both the legitimacy and the stakeholder theories, in understanding how organisations understand and react to changing social expectations and institutional pressures (Deegan and Unerman, 2011).

3.3.2 Organisational Fields

Neo-institutional theory asks questions about how social choices are shaped, mediated, and channelled by the institutional environment (Hoffman, 1999), and one of its underlying assumptions is that most organisations share certain characteristics with others. Therefore it is important to study and understand the institutional environment, which is commonly thought to be composed of organisations and organisational fields. The latter theoretical construct is central to neo-institutional theory.

As discussed in the previous section, neo-institutional theory assumes that organisations respond to pressures from their institutional environments and adopt structures and practices that are socially accepted as appropriate organisational choices and are considered legitimate by other organisations in their field (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Carpenter and Feroz, 2001). Thus, institutions represent the forces that exert pressure on firms to adopt similar behaviour and practices to other firms in the same societal context. These institutions form at different levels of society.

3.3.2.1 Organisational Fields and Neo-institutional Theory

From a theoretical point of view, an organisational field is formed by those organisations that collectively constitute a recognised area of institutional life (DiMaggio and Powell, 1983), that partake of a common meaning system and whose participants interact more frequently and faithfully with one another than with actors outside the field (Scott, 1995). DiMaggio and Powell (1983:148) define an organisational field as “those organisations that, in the aggregate, constitute a recognised area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar services or products”. This definition is proposed to identify an organisational field as a pool for common purpose and an arena of strategy and conflict (DiMaggio and Powell, 1983).

The emergence of the concept of the organisational field, as argued by Scott (2001), provided a new level of analysis suitable for the study of institutional processes, allowing an investigation of the meso-level systems that “mediate between societal structures and individual organisations” (Cited in: Ezzamel, 2007:152). The concept of the organisational field builds on the more conventional concept of “industry”, but places in the focal population of organisations operating in the same domain the ones that critically influence their performance (Scott, 1995).

When viewed through the institutional lens, a core assumption in the analysis of organisational fields is that organisational strategies and practices within the same organisational field increasingly converge/become isomorphic over time (DiMaggio and Powell, 1991). However, before the institution appears in the organisational field, divergent strategies and practices exist when institutional pressures are uncertain and complex. In an organisational field, when the institutional context is stable and

institutional pressures are constant, the structures and practices of organisations operating within the field start to learn/copy from each other.

Within an institutional field, different types of isomorphic pressures sustain the institution common to the field. Depending on the institutional field, different pressures may have more influence in one field than in another. A distinctive re-evaluation of institutional theory has been identified here, it argues that many organisational fields are “fragmented or conflicted, containing competing requirements and prescriptions” (Scott, 2008:430). Research studies (See, for example: Rowan, 1982; Thomas et al., 1987; Dobbin, 1994; D’Aunno et al., 1991; Abzug and Mezas, 1993) began to investigate the effects of such field fragmentation, complexity, and ambiguity on organisational forms and processes (Scott, 2008). This has thus led to questioning the conflicting isomorphic pressures in the different fields to which an organisation belongs.

Organisational fields can be identified by different means and one organisation can be categorised into a number of organisational fields. For example, one particular supermarket can be considered as part of the retail industry or be clustered with other organisations within the same geographical area.

At any one time, in any one organisational field, it could be anticipated that a variety of different institutions influence organisational behaviour and practice. Therefore, when an organisation belongs to different fields, it could be facing different types of isomorphic pressures at the same time. Different types of institutions exert different institutional pressures, and one institution may exert multiple isomorphic pressures at the same time. It is thus argued that, in practice, there is a blurring of the boundaries between coercive, mimetic and normative isomorphic pressures, with several

institutions plausibly spanning the boundaries between two or even all three types of isomorphism. The complex interplay and overlapping of these isomorphic pressures impact organisational practice in different fields. This is going to be discussed further in the following sections.

3.3.2.2 Formation of Organisational Field

DiMaggio and Powell (1983) argue that an organisational field should be defined on the basis of empirical investigation through observation of the following:

- An increase in the extent of interaction among organisations in the field

For example, in a particular industry-level organisational field, an increase in the interaction between different organisations can be seen; such interaction could be mediated through industry leaders, unions and consultants.

- The emergence of sharply defined inter-organisational structures of domination and patterns of coalition

At the industry-level, structures of domination and patterns of coalition have been set up as a result of those interactions. For example, within a particular industry, a monopoly firm can be assumed to be in a position where it can enforce its culture, organisational structures and practices, either directly or indirectly. It is a monopoly situation into which newcomers can hardly enter.

- An increase in the information load with which organisations in a field must contend.

For example, in the case of sensitive sectors, and particularly in the presence of environmental degradation and serious pollution, there has been an increase in the information load, and an increasing awareness of all the organisations operating within the same field, not only that they may be competing within each other for scarce resources, but that there are certain “rules of the game” (Mouck, 2004) that need to be adopted if they are to be seen as legitimated to operate.

- The development of a mutual awareness among participants in a set of organisations that are involved in a common enterprise.

This is a situation where organisations tend to have the same beliefs regarding certain practices and behaviours. A mutual awareness regarding a common action could be embedded in the institutional environments in which these organisations operate. Over time, these ‘taken-for-granted’ institutions influence organisations to behave in similar ways. For example, when food safety becomes a matter of mutual awareness within the food and beverage industry, it is hard for any participant to ignore it and not to obey certain rules and standards.

From the discussion above, it is clearly shown that neo-institutional theory offers insights into the continuity and conformity of organisational practices through an appreciation of organisational field-level processes. The sanctioning power of rules and regulations, the stabilising influence of dominant social beliefs and norms and the social construction of shared frameworks of meaning offer the tools to explain social conformity and field-level cohesion (Delbridges and Edwards, 2007:192). Many institutional theory studies infer that organisational behaviours grow to become

routinised because such social norms, rules and meanings become largely taken-for-granted.

This can be applied to social and environmental reporting practice. There could be several organisational fields in social and environmental reporting, such as shared participation in environmental accounting and reporting schemes and/or shared regulatory requirements, which result in several organisations sharing similar pressures and commitments to engage in social and environmental reporting (Unerman et al., 2007). The institutional logics found in accounting, as well as in other fields, provide institutional actors with a framework that characterises acceptable behaviours which are approved and supported by the coercive, mimetic and regulative pressures of the institutional field. The accepted behaviours created by institutional logic form the basis for what is deemed to be legitimate within the institutional field (Friedland and Alford, 1991) and are the basis for the discussion presented in the next section.

However, organisations, by their very nature, are resistant to change; they have a kind of sticky behaviour pattern. Larrinaga (2007) reveals that organisations are normally balanced and coherent. He further argues that organisations have an inertia or a resistance to change and that, before any possibility for change can exist, there needs to be a jolt or disturbance. In other words, there need to be good reasons for organisations to change their behaviours. This view is also a key part of institutional theory. When organisations start to initiate a new type of accounting practice – SER – it is important to ask what has broken the sticky behaviour pattern that makes many organisations resistant to the adoption of this new practice. However, there may be gradual changes involved. For example, when the government is in control of a situation.

3.4 Institutional Isomorphism

‘Isomorphism’ is a key term used extensively within neo-institutional theory. DiMaggio and Powell (1983:149) define it as “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions”. This implies that organisations that choose to adopt different structures or behave differently from others may find that these differences are criticised. Carpenter and Feroz (2001:566) further argue:

“DiMaggio and Powell (1983) label the process by which organisations tend to adopt the same structures and practices as isomorphism, which they describe as a homogenisation of organisations. Isomorphism is a process that causes one unit in a population to resemble other units in the population that face the same set of environmental conditions. Because of isomorphic processes, organisations will become increasingly homogeneous within given domains and conform to expectations of the wider institutional environment.”

Dillard *et al.* (2004:509) state that “isomorphism refers to the adoption of an institutional practice by an organisation”. Applying this to SER practices, their voluntary adoption could be considered as the institutional practice of a reporting organisation, thus, the process by which SER practices are adopted and change that organisation is an isomorphic process.

As mentioned often in the previous discussion, there are three different isomorphic processes, namely: coercive isomorphism, mimetic isomorphism and normative isomorphism, as suggested by DiMaggio and Powell (1983). Each of these institutional isomorphism will be discussed in detail in the following sections.

3.4.1 Coercive Isomorphism

Coercive institutional isomorphism stems from political influence and legitimacy need (Lai and Slater, 2006), where organisational changes are induced by those stakeholders upon which the organisation is dependent. Within the coercive pillar, organisations become similar through coercive isomorphism, as they influence individual organisations in a compelling manner, described by DiMaggio and Powell (1983:150) as:

“... results from both formal and informal pressures exerted on organisations by other organisations upon which they are dependent and by the cultural expectations of the society within which organisations function. Such pressures may be felt as forced, as persuasive, or as invitations to join in collusion”.

Such forces could possibly be requirements issued by governmental bodies or standards defined by regulatory associations with the related power to impose expectations. This relates to the perspective of the managerial branch of the stakeholder theory, whereby an organisation is influenced by the demands of its powerful stakeholder groups. For example, in the context of SER practices, an organisation could use SERs to address certain issues in response to those stakeholder groups who have the most power over the organisation itself. The organisation is thus considered to be coerced into adopting SER practices by the influence of its powerful stakeholders.

In this case, DiMaggio and Powell offer two general hypotheses related to coercive isomorphism (Deegan and Unerman, 2011:363):

“The greater the dependence of an organisation on another organisation, the more similar it will become to that organisation in structure, climate, and behavioural focus.”

“The greater the centralisation of organisation A’s resource supply, the greater the extent to which organisation A will change isomorphically to resemble the organisations on which it depends for resources.”

Coercive pressures have been associated with the obtaining of compliance (on the part of organisations) within the field in which they operate. North (1990) emphasises the use of rules and regulatory mechanisms in facilitating this compliance. When these rules and regulations are breached, punishment is enforced. The fact that the creation and enforcement of effective state regulations depend, in part, on the capacity of external actors – such as environmentalists, unions, consumers, and other stakeholders – to participate in and monitor these regulatory processes is something that has received some attention from institutionalists in organisation studies (Hoffman et al., 2002). Research suggests that government statutes are the most effective in facilitating corporate social and environmental behaviour if they are associated with other stakeholders. For example, they may afford citizens access to various information – such that pertaining to toxic emissions – legal standing in court – to sue suspected polluters – and sufficient resources to support both of these activities (Grant, 1997). However, this is not necessarily the case in China. This PhD research study is going to investigate into the motivational factors underpinning the Chinese SER practices.

Coercive pressures are placed on a dependent firm by other organisations and by the cultural expectations of the broader society within which it operates (DiMaggio and Powell, 1983). In the case of social and environmental reporting, for example, companies that produce SERs are likely to advise their subsidiaries to take analogous practices into consideration. In addition, companies with some SER practice history are more likely to invest in or do trade with other companies which also disclose social and environmental information. Thus coercive pressures become more complex; companies are not only required to respond to legislation pressures, but also to the direct imposition of standardised rules which may also occur beyond the control of legal prescriptions and laws. As Pfeffer and Salancik (1978) point out, an organisation needs to satisfy the

expectations and requirements of various stakeholders. Thus, stakeholders such as powerful suppliers and consumers become the actual key institutions. For example, if a company's products or technologies do not meet specified environmental standards, it may face penalties imposed by the government, and buyers may refuse to purchase the products themselves and investors may pull out. Therefore, the company may have no option but to spend time on addressing these aspects of their performance and on informing the relevant parties of their practices, e.g. through SER practices.

The formal coercive institutional pressures that have been considered are the most obvious since, in an institutionalised environment, there is an "elaboration of rules and requirements" including "pressures for conformity to public expectations and demands" (Clarke *et al.*, 1997:166). Organisations gain and maintain legitimacy by conforming to these rules and regulations and by being acceptably organised from a legal point of view, even if the organisational changes made in response to those regulations are more formal than substantial (DiMaggio and Powell, 1983: 150). This can be achieved not only by conforming to externally enforced rules and regulations, but by simultaneously internalising similar regulatory systems.

3.4.1.1 The Stakeholder, Resource Dependency in Coercive Isomorphism

Neo-institutional theory overlaps with a number of other theories, such as the legitimacy and the stakeholder theories, which derive from the broader political economy theory. As discussed in the previous section, coercive isomorphism is evidently related to the managerial branch of the stakeholder theory, whereby organisations may adopt new environmental accounting practices to disclose various information, such as social and environmental information, thus attending to the expectations of particular stakeholders.

In addition, other researchers, such as Carpenter and Feroz (2001), suggest that coercive isomorphic pressure, as defined in institutional theory, has some points in common with resource dependency theory. At the industrial level, organisations require resources from the environment to survive. Thus, the survival of firm managers depends on their ability to negotiate exchanges with the environment. Especially during difficult periods, managers often try to ensure a continuous supply of resources to the company, e.g. financial resources. Hence, those organisations which can provide the resources may exercise power over others.

This resource dependency perspective (Pfeffer, 1981; Pfeffer and Salancik, 1978) does not take the acquisition of environmental resources as a given. According to Carpenter and Feroz (2001:571), the resource dependency perspective “focuses on problems associated with the acquisition of financial resources from the environment to understand the behaviour of individuals within a given organisation”. Moreover, the resource dependency perspective focuses its attention on external factors in explaining the organisational decision-making process, as does the institutional coercive isomorphism pressure perspective.

The research study of Mizuchi and Fein (1999:657) advocates that pressures from external resource suppliers bring about coercive isomorphism and “is thus analogous to formulations of the resource dependency model, in which organisations are viewed as constrained by those on whom they depend for resources”. Resource dependency results in institutional coercive isomorphism pressure for organisational change, which can be an important factor in explaining companies’ choices of accounting practices. Thus, the theoretical viewpoint descending from the resource dependency perspective represents a particular form of the coercive isomorphic pressure perspective described earlier.

3.4.1.2 Empirical Evidence of Coercive Isomorphism

Under the influence of institutional coercive pressure, there is a tendency to conformity in the practices adopted by different organisations. In their research study, Tuttle and Dillard (2007:393) state:

“Change is imposed by an external source such as a powerful constituent (e.g., customer, supplier, and competitor), government regulation, certification body, political powerful referent groups, or a powerful stakeholder. The primary motivator is conformance to the demands of powerful constituents and stems from a desire for legitimacy as reflected in the political influences exerted by other members of the organisational field. These influences may be formal or informal and may include persuasion as well as invitations to collude. If the influencing group has sufficient power, change may be mandated.”

In Islam and Deegan’s (2008) research study, the relationship between the Bangladeshi export-oriented organisations with their multinational foreign buyers was highlighted. The study revealed a great deal of concern by Western consumers that the multinational clothing firms’ overseas suppliers were using child labour. As a result of pressure from various stakeholder groups, such as consumers, news media and lobby groups, most firms were coerced into putting in place measures to prevent their supply factories from using child labour.

Another example comes from that Neu and Ocampo (2007); they found that organisations that receive funding from the World Bank tend to adopt the same reporting practices. It is believed that the World Bank, as the funds lender, has the power to coerce the borrowers to adopt certain accounting and reporting practices, and the borrowers feel the pressure to meet the lender’s requirements. The researchers state:

“These organisations [such as the World Bank] operate in a variety of different institutional fields, thereby ‘spanning’ fields. They also possess the economic capital necessary both to enter distant fields and to facilitate the diffusion of specific practices. The economic capital of the World Bank and International Monetary Fund, as evidenced by their lending

activities, provides them with the ability to encourage coercive isomorphism (DiMaggio and Powell, 1983) thereby changing the day-to-day practices of previously autonomous fields. ... Contained within the loan agreements are requirements that borrower countries adopt and utilise specific accounting practices such as budgeting, auditing and financial reporting practices. In this way, the lending agreements facilitate the diffusion of accounting/financial practices across heterogeneous fields”.

The regulatory effects and coercive pressures on organisations seem to be straightforward and easily identified, but some organisational research studies have complicated the relationship between the law/rules and organisations. These studies recognised that the effects of mandatory changes in organisational structure and practices can be highly ambiguous. A research study by Hoffman (1999) advocates that regulative forces are, in many ways, only a starting point. Last but not least, Marquis, Glynn and Davis’s (2007:937) research study not only agrees with the above argument – that mandatory changes involving corporate actions and structures are often ambiguous – they also further argued that “although the existence of regulation clearly shapes corporate action, its implementation within institutional fields accommodates considerable variation”. Therefore, particular attention needs to be paid when analysing the effects of regulatory power over organisational actions. Regulatory pressures are not always isolated and easily identified. Coercive pressures can occur concurrently with the other two types of organisational isomorphism, which will be further discussed in the next two sections.

3.4.2 Mimetic Isomorphism

Besides coercive pressures, organisations may sometimes be influenced by mimetic pressures, i.e. pressures arising from the drive to reduce uncertainty. When organisations face situations where there is no clear indication as to the best choice of

practices, they may restrict their selection of organisational structures or practices to those that are being employed by a large number of other organisations or by those organisations which are recognised as being successful within the institutional environment (Carpenter and Feroz, 2001). In other words, under conditions of uncertainty, the imitation of successful peers is deemed to be a safe strategy. This is consistent with DiMaggio and Powell (1983:152); they state that:

“Organisations tend to model themselves after similar organisations in their field that they perceive to be more legitimate or successful. The ubiquity of certain kinds of structural arrangements can more likely be credited to the universality of mimetic processes than to any concrete evidence that the adapted models enhance efficiency”

Therefore, mimetic isomorphism can be regarded as a response to organisational uncertainty in pursuing the best course of action. According to Palmer *et al.* (1993: 104):

“Institutional theory assumes that organisations will select among alternative structures [or practices] on the basis of efficiency considerations, primarily at the time that their organisation field are being founded or reorganised. Subsequently, they adopt forms that are considered legitimate by other organisations in their field, regardless of these structures’ [or practices’] actual efficiency”.

For this case, DiMaggio and Powell (1983) provide two hypotheses that relate to mimetic isomorphism:

“The more uncertain the relationship between means and ends the greater the extent to which an organisation will model itself after organisations it perceives to be successful.”

“The more ambiguous the goals of an organisation, the greater the extent to which the organisation will model itself after organisations that it perceives to be successful.”

3.4.2.1 Different Perspectives of Mimetic Isomorphism

There are two additional perspectives within institutional mimetic isomorphism. Firstly, decisions are not independent; they are associated with the results or performance linked to previous decision-making. From a cognitive institutional perspective, organisations possess habits and inertia. As Porter (1990: 580) states: “firms would rather not change... past approaches become institutionalised in procedures and management controls...” For example, North (1990) empirically demonstrates that organisations tend to use investment modes over and over again. Another research study done by Lu (2002) observes a strong propensity to the adoption of intra-organisational mimetic practices among Japanese multinational enterprises with regard to foreign entry mode choice.

Secondly, organisations not only rely on their prior decisions and experiences but also learn from the performances of others and from what is happening in their organisational field. Mimetic isomorphism represents an organisation’s tendency to adopt the successful elements of other firms’ practices and decisions in the face of uncertainty. By replicating practices and decisions, these become patterns and samples that can be reproduced and transmitted to new entrants (Berger and Luckmann, 1967; Zucker 1987).

Following the above argument, since the organisational field contains a collection of activities within which organisational actors mutually recognise each other’s presence and practices, organisations in the same field will tend to engage in collective sense-making, and to similarly characterised organisational environments (Huff, 1982). Imitation will begin to take place among competitors and other peers during periods of uncertainty.

Along these lines, institutional researchers have proposed that, when an organisation follows the emerging practices in its organisational field, it not only reduces its uncertainty about the best practices to take and the best decisions to make, but also increases its legitimacy by showing the appropriateness of its actions to its various stakeholders (Scott, 1995).

3.4.2.2 Mimetic Isomorphism in SER Practices

Deegan and Unerman (2011) explain mimetic isomorphism by using Unerman and Bennett's (2004) research on stakeholder dialogue in corporate social reporting. They believe that mimetic isomorphism involves organisations seeking to emulate or improve upon the institutional practices of others, often for reasons of competitive advantage in terms of legitimacy. Unerman and Bennett (2004) explain:

“Mimetic isomorphism as being the result of attempts by managers of each organisation to maintain or enhance external stakeholders' perceptions of the legitimacy of their organisation, because any organisation which failed (at a minimum) to follow innovative practices and procedures adopted by other organisations in the same sector would risk losing legitimacy in relation to the rest of the sector.”

New environmental accounting practices, especially SER, have been voluntarily adopted by many organisations. When firms within an industry and a country evolve in an institutional context of cognitive uncertainty, they will benchmark their social and environmental reporting practices against each other to ensure their acceptance and relevance and to legitimise their social and environmental activities (Campbell, 2007). Such mimicking of peers provides them with the so-called best solution to continue operating under conditions of uncertainty. Likewise, for this purpose, a firm's own industry is likely to constitute the organisational field from which to emanate strong

conformity pressures. Firms are expected to be engaged in mimetic behaviour that is driven by their industry peers/competitors' own imitation patterns.

Prior research shows that a firm's adoption of new environmental accounting practices is partially dependent upon its own industry and country of residence (Gray and Bebbington, 2000).

3.4.3 Normative Isomorphism

The last type of isomorphism contemplated by neo-institutional theory is normative pressure, i.e. pressure arising from the professionalisation of a particular field, which aggregates personnel within the organisation to adopt certain types of structure and processes to establish a cognitive base and legitimisation for their occupational autonomy (DeMaggio and Powell, 1983). Professionalisation occurs not only through formal education but also through professional associations, trade associations, and professional media. It may as well be generated by external sources such as professional networks and knowledge introduced into an organisation by a manager. Therefore, an organisation making a new decision or adopting a new practice can be derived from some aspects of its manager's personal attributions. The formal and informal interpersonal networks of an organisation's senior managers may also influence its decision-making and organisational actions.

According to Scott (2001:175), normative isomorphism "introduces a prescriptive, evaluative and obligatory dimension into social life, reflecting the values (what is preferred) and norms (how things should be done) of the social system. Social actors working in particular organisational roles are expected to fulfil certain social commitments and obligations". The term 'appropriate behaviour' refers to the accepted

way in which people do what they are supposed to do and is based on behavioural patterns that are socially expected and accepted by other actors (March and Olsen 1989). Consequently, these expectations are usually perceived to be external pressures to which one must conform, and normative isomorphism is a product of the professional roles that the organisational actors play.

To some extent, normative isomorphism is distinct from mimetic isomorphism in having an underlying evaluation tone. On one hand, mimetic isomorphism gives a shared frame of reference, of ‘how things are done around here’; on the other hand, normative isomorphism takes place on a moral base, ‘what is right to do around here’ (Marquis et al., 2007). Normative isomorphism influences the executives’ evaluation of their peers and, conversely, their peers’ evaluative expectations influence the executives’ decision regarding social actions.

DiMaggio and Powell provide two hypotheses for this case:

“The greater the reliance on academic credentials in choosing managerial and staff personnel, the greater the extent to which an organisation will become like other organisations in its field”.

“The greater the participation of organisational managers in trade and professional associations, the more likely the organisation will be, or will become, like other organisations in its field”.

3.4.3.1 The Empirical Evidence of Normative Isomorphism and the in SER Practices

Applying the perspectives in the above discussion to SER practices, the corporate culture and working practices developed within the workplace could stimulate normative isomorphic pressure, which involves influence from a range of both formal and informal groups to which managers belong. These could generate collective

managerial views to favour certain types of reporting practices over others. From training in particular groups, managers develop the tendency to adopt similar SER practices to avoid appearing to be out of line within their 'group'.

Researchers such as Fligstein (1993) found that the corporate executives' approach to managing their firms depends in part on the type training they received in business schools. Guillen (1994) illustrates that managerial views regarding which business models are acceptable are in part derived from the models that received the most attention in the academic and business press. The underlying idea of normative isomorphism is that managers seek to act in ways that are deemed appropriate by other managers and other significant actors in their institutional environment.

Another research study carried out by Palmer *et al.* (1993) highlights the effects of normative isomorphism. The researchers found that a particular approach, known as the multi-divisional form of organisation, was adopted by the majority of chief executive officers (CEOs) in the sample companies. These CEOs attended elite business schools, where the multi-divisional form of organisation was taught as part of conventional wisdom. The students from the elite business school who were educated on this particular model subsequently became CEOs. The behavioural conformity of these CEOs resulted in the similarity of organisational practices.

3.5 The use of Institutional Theory in Accounting Research

Based on the discussion above, neo-institutional theory offers an in-depth explanation of how the mechanisms through which organisations may seek to align the perception of their practices and characteristics to social and cultural values become institutionalised

in particular organisations. In recent years, an increasing number of accounting researchers have adopted institutional perspectives in explaining organisational changes.

Scapens and Burns (2000) focused on the changes in management accounting. The researchers' attention turned to understanding the processes through which these new management accounting practices emerged. Based upon an institutional framework, the research study investigated why and how, over time, an organisation's management accounting becomes what it is. The result of this study demonstrates the importance of understanding the complex institutional character. Scapens and Burns (2000:21) state that: "...management accounting has not been institutionalised in all organisations, but rather it has the potential to become institutionalised and thereby to contribute to the relative stability of organisational processes, and to act as a carrier of organisational know-how".

Siti-Nabiha and Scapens (2005) focus on the relationship between "stability and change" within the process of accounting change. This research study was informed by the institutionalist framework of Scapens and Burns (2000) to investigate, over a period of five years, the changes brought about by the newly implemented value-based management system in Eagle¹¹. They found both stability and change, which has been argued to be part of the evolutionary process of change, rather than contradictory or opposing forces.

Siti-Nabiha and Scapens' (2005) observations on the change process of this new management system had inspiring effects on my PhD research study, where it investigates voluntary SER practices in China. Having been adopted by more than 600

¹¹ Eagle is a gas processing company located in an East Asian country. In 1998 a system of value based management was imposed by its parent company – the state-owned national oil company.

organisations over the past few years, the initiation of SER practices can be considered to be a fundamental change in the organisational practices of Chinese organisations.

Van der Steen, (2009) also looks at the changes brought about by the introduction of a 'result oriented management' programme¹², in one of the largest banks in The Netherlands. The results of this study identify particular instances of inertia within the processes of management accounting change, and the important role played by ambiguity and contradictions in the presence of inertia.

More recent research studies have also adopted an institutional perspective. For example, Marginson (2009) investigates the role played by value systems as mechanisms for organisational change. In this research, the normative pillar of institutional perspective has been identified within the top management; this uses a value system as a management control mechanism to effect organisational change. The results of a questionnaire survey that he carried out suggest that value systems may be only partly successful in achieving their intended purpose of mobilising attitudes around a particular set of normative values. Various unintended effects may arise. Overall, it argues that the use of value systems as a mechanism of organisational change may be as problematic to the firm as it is beneficial.

Another research study, carried out by Järvenpää (2009), theorises on the institutional pillars of the management accounting function. The researcher identified the two competitive/economic forces and the three analytical elements of the institutional pillars that are collectively constituted in organisations. The researcher further emphasised that

¹² It was a programme to improve planning and control in member banks, and to introduce a sense of accountability to members and customers by employees of member banks. The programme produced a number of discrete rules on how to plan ahead and how to be in control.

each element is important and that they all may work in combination, but they operate through distinctive mechanisms and processes. This paper illustrates how they provide the basis for compliance, order and legitimacy, not of the whole organisation nor of the management accounting systems, but of the management accounting function.

The theoretical perspective of this study is similar to the one that has been used in this PhD research study. The three institutional pillars have provided a fundamental understanding in helping to explain the reasons underpinning Chinese SER practices.

One of the more recent studies was conducted by Bebbington *et al.* (2009) in parallel to the work in this PhD research study. Bebbington *et al.* (2009) utilise institutional theory to contribute to the understanding of how various factors combined in the initiation of reporting in New Zealand, whereas this PhD research study attempts to understand the initiation of SER practices in China based on the same theoretical framework. The researchers conclude (2009:588):

“... choosing to engage in reporting appears not to be a rational choice. Rather, reporting is initiated because it has come to be an accepted part of pursuing a differentiation strategy, it offers some contribution to existing business challenges, and organisations value the rewards it offers. This rationale constitutes a cognitive mechanism within institutional theory.”

3.6 Variance in the Institutional Perspectives

Institutional theory emphasises the relationship between organisations and institutional environments; it implies that the three institutional isomorphism pressures – coercive, mimetic, and normative – influence companies’ decision-making regarding the adoption of certain practices, and elucidate the role of the institutional environment in shaping organisational behaviour and structures. However, looking at the other dimension of

institutional theory, employees, under certain circumstances, e.g. corruptions, may go so far as to decouple actual organisational actions from the original processes and practices.

Meyer and Rowan (1991) put forward that legitimacy practices are not always conducive to efficiency. Technological institutional environment changes do not always lead to actual organisational changes. In other words, organisations do not necessarily evolve with changes. This raises a problem for organisation managers, they are constantly working on being legitimated while remaining efficient. According to Meyer and Rowan (1991:57), “institutionalised organisations protect their formal structures from evaluation on the basis of technical performance: inspection, evaluation, and control of activities are minimised, and coordination, interdependence, and mutual adjustments among structural units are handled informally”.

Decoupling may include management relying on professionals, setting vague goals, making inspection and evaluation purely ceremonial, and encouraging human interactions rather than formal rules to get the work done (Meyer and Rowan, 1991; Kury, 2007). However, organisations adopting decoupling behaviours will engage in practices to show conformity to legitimising standards.

Decoupling serves to buffer an organisation from unwanted associations as it seeks greater legitimisation through other associations; this is linked to part of legitimacy theory. For instance, companies may adopt SER practices for various reasons. In particular, these new environmental accounting practices can be employed to change the perception that the ‘relevant public’ may have of an organisation’s performance and create an organisational image that can differ very much from the actual organisational social and environmental behaviour. Meyer and Rowan (1977: 343) wrote:

"Structural elements are only loosely linked to each other and to activities, rules are often violated, decisions are often unimplemented, or if implemented have uncertain consequences, technologies are of problematic efficiency, and evaluation and inspection systems are subverted or rendered so vague as to provide little coordination."

The institutional concept of decoupling or loose coupling behaviour suggests that, under certain pressures, actual organisational behaviour can be made to differ significantly from the perceived image through the adoption of institutionally legitimising actions (Lapsley and Mussari, 2008). Despite Meyer and Rowan's (1991) assumption that decoupling is widespread, Scott (2001) suggests that, even though decoupling is an important element of institutional theory, this assumption requires more empirical investigation to determine under which circumstances decoupling is more likely to occur and just how common it actually is. He further suggests that in 2008 there had been emerging evidence that the apparent, 'superficial' adoption of institutional requirements could become more significant over time (Scott, 2008). While, Heugens and Lander (2009:61) state that organisations are more likely "to favour institutional 'templates' that would allow them to reap substantive benefits in addition to social condonement and that compliance with such institutional norms "simultaneously improves the substantive performance of organisations".

In the case of SER practices, decoupling behaviour can only be distinguished through an examination of the actual practices and the reported behaviour of individual organisations, which is not the aim of this PhD research study. However, as discussed above, when using institutional theory to explain particular organisational practices, decoupling behaviour needs to be taken into account. This aspect of institutional theory will however not be the central focus of this research study.

Given the common understanding of institutional theory as a theory of isomorphism, many research studies have investigated how organisational structures and behaviours shape companies or under which circumstances they adopt certain practices. Many of them have reached the conclusion that, over time, organisations, in any field, tend to become homogenous in both process and structure. For example, Carpenter and Feroz (2001) investigated the external financial reporting practices of six different U.S. state governments; four of these were using GAAP for their external financial reporting, the remaining two were not. In conclusion, they predicted that, under institutional pressures, all state governments in the U.S. will eventually change and adopt GAAP for their external financial reporting.

In recent years, a few researchers have begun to focus on understanding and analysing organisational variety. Lounsbury (2008:356) contends that:

“... by focusing on understanding organisational variety, the new emphasis on multiple logics and forms of institutional rationality is sympathetic to more recent organisational and intra-organisational research on practice, and can enable deeper connections to be made between institutionalists and scholars interested on the micro-dynamics of practice”.

Therefore, it is important to highlight the new direction taken by research studies which have adopted the views of neo-institutional theory – moving away from solely concentrating on organisational isomorphism/homogeneity and towards an investigation of organisational heterogeneity. In the case of SER practices, they are still in their infancy among Chinese organisations. It is important to understand the reasons underpinning such institutionalising practices before considering any heterogeneity. Therefore, this PhD research study is deliberately designed to study processes of

conformity and homogeneity, and the focus is placed on to what extent and how do organisational practices (SER) become similar.

3.7 Summary of Theoretical Literature Review and Location of Research

Objectives

To sum up, institutional theory provides a complementary and somewhat overlapping perspective to both legitimacy and stakeholder theories (Deegan and Unerman, 2006). Within the scope of this research, it explains that organisations will be subject to pressures and managers will make decisions to change or adopt certain voluntary social and environmental reporting (SER) practices. These pressures can be both internal and external and they can be coercive, mimetic and normative. Legitimacy is a form of institution: Scott (1995) argues that legitimacy explains organisational stability, by giving a normative dignity to its practical imperatives (Berger and Luckmann, 1967). On one hand, organisations may be free to manage or create legitimacy through substantive change or symbolic actions; on the other hand, organisations are often restricted by the legitimacies they construct and within which they exist.

Apart from the overlapping between legitimacy theory and institutional theory, it can be recognised that the latter is richer than the former. Within the area of social and environmental accounting, to a certain degree, legitimacy theory recognises a manipulative logic, based on self-interest. This could be matched with the coercive isomorphism of institutional theory. For instance, Deegan (2002:293) states that “legitimacy is considered to be a resource on which an organisation is dependent for survival... that the organisation also can impact or manipulate”. Institutional theory allows different motives to be examined at different levels. Institutional theory does not

favour any of the three institutional isomorphisms – coercive, mimetic or cognitive. Mimetic pressures can explain why organisations adopt certain practices in the absence of legitimacy expectations or threats or active demands by various stakeholder groups. This is consistent with a paradox which is proposed in O’Dwyer’s (2002) study: most responding companies view corporate environmental reporting as an ineffective tool for achieving a state of legitimacy; however they do not abandon such reporting practices and continue to engage in some form of environmental disclosure. Institutional mimetic pressure might be a powerful force in explaining this fact.

Neo-institutional theory seems to have the scope to provide more refined, but complementary, explanations than those provided by legitimacy theory; the former tends to focus on the deeper and more resilient aspects of social structure, such as social norms and culture. It considers the processes by which structures, including schemas, rules, norms, and routines become established as authoritative guidelines for social behaviour. It inquires into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Moreover, the institutional theory framework affords insights into corporate social and environmental practices that extend beyond the interests of individual firms to groups of organisations. Additionally, legitimacy theory looks at why organisation makes certain decisions or adopts certain practices; whereas the institutional theory not only explains why organisations make particular choices, but also focuses on why certain organisational actions become common in a particular context. Last but not least, Larrinaga-Gonzalez (2007) contends that the main focus of institutional theory is the longitudinal study of institutional change and how organisations became institutionalised.

From a review of literature, there emerges an increasing trend in the research studies of social and environmental reporting practices. Jamali and Mirshak (2007) indicate that most existing SEAR studies are focused on developed countries. This is echoed by Dawkins and Ngunjiri (2008), who state that most literature in this area focuses on experiences in Europe, the United States and Australia. Indeed, in recent years, there have been an increasing number of SER research studies in Asia (e.g. Malaysia, Singapore etc.). This PhD research study fills a gap in the literature as there are currently very few studies in this area with a Chinese focus, and very few research studies have adopted neo-institutional theory in analysing the reasons behind SER practices. Therefore, by using this recently introduced theory in the SEA field to look at the development of SER practices in a country where they have rapidly developed in recent years – where there are few relevant studies and none of those I am aware of have used institutional theory – this PhD research study makes an important contribution to the existing literature. The focal research objective, based upon institutional theory, is to investigate why Chinese companies adopt SER practices.

3.8 Conclusion

This chapter introduces a theoretical framework identified through a review of prior literature. It provides an analytical tool to aid the understanding of the reasons behind the initiation of SER practices among Chinese organisations. The framework is used to reflect on the empirical findings, based on a middle range thinking approach (Laughlin, 1995; 2004), as explained in chapter four. The research methods used to collect the data are one of the key aspects of this research study, which is discussed in the following chapter.

Chapter Four: Research Methodology and Methods

4.1 Introduction

The two preceding chapters presented the existing literature in relation to the key theories and key research studies in the SEA discipline: chapter two identified some of the most frequently theories employed in the SEA field and reviewed the legitimacy theory and stakeholder theory in particular; chapter three presented the theoretical framework – neo-institutional theory – that is adopted in this research study to explain SER practices. It has defined the empirical research aim of this study, which is to investigate the reasons behind the adoption of SER practices in the Chinese context.

The guiding research methodology and the research methods that are used to collect empirical data play a very important part in any research study. The overarching aim of this research methodology and methods chapter is to present and provide a justification of the methods employed. The research methodology and methods will be discussed in order to explain the nature of this PhD research study, and lead to the formulation of specific research questions which will help to refine the research itself. The chapter starts with a brief introduction of some background information, followed by a discussion of the researcher's philosophical stance and core philosophical assumptions in undertaking this research study. In the following section, the detailed sources and techniques that were used to collect data are discussed. In addition, how the research questions related to the particular choice of research method is clarified. Finally, a brief summary is provided, based on the methodological position taken and the specific research methods adopted.

4.2 Overview of the Research Methodology and Methods

4.2.1 Methodology and Method

Social research has been defined as “a collection of methods and methodologies that researchers apply systematically to produce scientifically based knowledge about the social world” (Neuman, 2010: 2). Method and methodology are the two key important components of any social scientific research (business and management research draws on many social science research traditions for its foundations) because “it distinguishes research from opinion, hearsay or intuition” (Hackley, 2003:64). The difference between these two terms is that the former is broader than the latter; research methodology covers certain aspects of methods. *Methodology* views the approach to the research process on the whole, from the theoretical foundation to the collection and investigation of the data (Hussey and Hussey, 1997). Silverman (2009:131) argues that “like theories, methodologies cannot be true or false, only more or less useful”. To some extent, research methodologies guide/affect the chosen research methods. On the other hand, *method* only defines the various ways of collecting and analysing data. It directly links to the way in which a research study is conducted. In fact, in many studies, these two terms are closely related, but distinct.

As mentioned above, it is important to distinguish the research methodology from the research method, despite the close links between them. It is common to find that researchers are more concerned with the way in which they collect data to answer research questions. Therefore, many researchers begin to think about their research by considering what research method they should adopt; for example, whether they should send out questionnaire surveys or conduct interviews. However, the fundamental issues of methodological choices need to be addressed before considering detailed research methods. Indeed, some writers, such as Guba and Lincoln (1994), argue that choices of

research methods are of secondary importance to questions of which paradigm the research adopts. As they state (Guba and Lincoln, 1994:105):

“... Questions of method are secondary to questions of paradigm, which we define as the basic belief system or world view that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental ways.”

The importance of both research methodology and methods has been discussed in this section; the following section provides some of the background information with regard to this PhD research study.

4.2.2 Background

In general and despite the formulation of similar research questions, researchers looking to investigate SER practices have adopted a varied range of methodological approaches and research methods to conduct their research studies: from interviews (See, for example: Bebbington *et al.*, 2009; Elijido-Ten *et al.*, 2010; O’Dwyer 2002) and case studies (See, for example: Deegan *et al.*, 2002; Jenkins and Yakovleva, 2006) to survey-based studies (Cormier *et al.*, 2004; Van Dunk and Dickman, 2002), content analysis (See, for example: de Villiers and van Staden, 2006; Jose and Lee, 2007; Patten, 2002), longitudinal studies (See, for example: Campbell, 2000; Gray *et al.*, 1995b; Tsang, 1998) or theoretical investigations (See, for example: Laughlin, 1991; 1995; Dillard *et al.*, 2004).

However, methodological issues have been raised by a number of researchers investigating motivations behind SER practices. The analysis results provided by the use of case studies and the conclusions drawn from interviews have been argued to be tentative due to the relatively small sample sizes involved (Adams, 2002; O’Dwyer,

2002). The suitability of using content analysis to explore corporate motivations underpinning SER practices has been challenged and the limitations on the amount of information that can be provided have been questioned (See, for example, Unerman, 2000; Woodward *et al.*, 2001). As for statistical research methods, for instance, the possibility of excluding important factors from the analysis has been questioned (See, for example: Deegan, 2004; Jones and Xiao, 2003; Patten, 2002).

In response to these issues, as a research this researcher takes the view that there cannot be a universal or best research method of investigating SER practices. However, the research study should be conducted in the way most suited to the methodological beliefs and research questions.

Research design is the “science/art of planning procedures for conducting studies so as to get the most valid findings” (Vogt, 1993: 196). Research design can be seen as a detailed plan which is used to guide and focus upon the research study as a whole. Determining a research design is an important step leading up to the main study of any research. Before constructing the research design, a research paradigm needs to be decided upon. The choice of a research paradigm is closely linked to the choice of the research methodology, and hence the methods for gathering data.

In the following sections, the researcher’s philosophical assumptions will be clarified and the methods suitable for the investigation of motivations for SER practices will be identified and thus assist in this PhD research study.

4.3 Research Methodologies

As mentioned earlier, before beginning the discussion on the research methods to be presently adopted, the researcher's philosophical assumptions should be made clear. As Easterby-Smith et al. (2002:xi) emphasise, it is very important that:

“a number of factors beyond the technicalities of research design, or the use of particular methods, assume considerable importance. These start with the philosophical issues underlying management research, because the worldview of the researcher can influence both the selection of the methods and judgements about the quality and value of outcomes”.

Therefore, deciding on the philosophical assumptions seems to provide the direction for the design of all phases of any research study (Creswell, 2009; Easterby-Smith *et al.*, 2002).

4.3.1 Overview

The relationship between theory and data is one of the most debated issues, frequently discussed by philosophers and researchers from various disciplines for many centuries. It is of vital importance to distinguish between theory and data. Within the first part of the following sections, a discussion will be made on the main philosophical positions underlying research studies in general. The second part will then explain positivism and interpretivism as the two major approaches to ontology and epistemology issues. In the final part, based on the understanding of ontological and epistemological views, Laughlin's (1995) middle-range thinking approach will specifically be discussed in relation to this PhD research study.

Each researcher's orientation to their research is shaped by their ontological and epistemological position. Most often, those positions are implicit rather than explicit, but, regardless of whether they are acknowledged, they shape the approach to theory

and the methods utilised by the researcher (Teddlie and Tashakkori, 2009). In fact, all researchers should recognise and acknowledge their own ontological and epistemological positions and be able to defend these positions against critiques from other positions. This also implies the need to understand alternative positions on these fundamental questions.

Different ontological and epistemological positions may lead to different levels of generalisation in research studies. On one hand, a problem that can present itself in accounting research studies is that people will sometimes tend to generalise well beyond the limited evidence. However, on the other hand, there are many individuals, areas and situations about which people know little or nothing, so that generalising from what little they do know might seem reasonable. In other words, an appropriate amount of generalisation can be accepted in most accounting research studies.

4.3.2 Philosophy Positions

Paradigms refer to: “accepted examples of actual scientific practice – examples of which include law, theory, application, and instrumentation together – [which] provide models from which spring particular coherent traditions of scientific research” (Kuhn, 1962:10). Over the years, several philosophical perspectives have emerged, reflecting particular perceptions relating to the nature of the world, the researcher’s interaction with it; and the way one should conduct the research study.

As mentioned earlier, the very first step in defining the methodological framework is deciding upon the ontological and epistemological positions. In order to assist people in this task, research studies into the organisational and social aspects of accounting can be

guided and reviewed through a basic sociological framework devised by Burrell and Morgan (1979). The Burrell and Morgan framework is constructed from two independent dimensions based on assumptions regarding the nature of social science and the nature of society respectively. The social science dimension, in turn, consists of five distinct but related elements: ontology, human nature, the nature of society, epistemology and methodology. The ontology and epistemology elements will be discussed in greater depth.

The research philosophy, i.e. ontology and epistemology, which researchers adopt, contains important assumptions about the way in which they view the world. It also contains the view of the relationship between knowledge and the process by which it is gained. These assumptions will underpin the research strategy and the methods researchers choose as part of that strategy. The following discussion will be based on the two major viewpoints of research philosophy: ontology and epistemology. Each contains important features which influence the way in which researchers think about the research process.

4.3.2.1 Ontology

Ontology is concerned with conception of reality and it deals with the very nature of 'being'. The key questions of ontology are: do social entities exist independently of our perceptions of them and is social reality external to social actors or constructed by them? These questions raise issues related to the assumptions researchers make about the way the world operates and the commitment they hold to particular views.

The two extremes of ontology involve purely objective and purely subjective views. Both have their devotees among management and accounting researchers. On one hand, the purely objective view of ontology holds the position that social entities exist in a reality external to the social actors concerned with their existence. It implies that social phenomena and the categories that people use in everyday discourse have an existence that is independent or separate from the social actors. (Bryman and Teevan, 2004:16) Furthermore, individuals are born into a pre-existing social world and social forces and rules exert pressure on individuals to conform. Take organisation and culture issues as an example; objectivists see organisations as tangible objects of their own objective reality. They have rules and regulations; they exert pressure on individuals to conform to their requirements. A general view amongst objectivists is that organisations exist independently of the social actors who are socialised into their values.

As stated in Smircich (1983), people who take the purely objective view of ontology tend to view the culture of an organisation as something that the organisation 'has'. Organisation culture has been treated as a variable, something that can be manipulated, changed in order to produce the normative state desired by the manager and the organisation. In this case, both the organisation and its culture are treated as something external to the social actors.

On the other hand, the purely subjective view holds that social phenomena are created by the perceptions and consequent actions of those social actors concerned with their existence. According to Easterby-Smith et al., (2002) this is a continual process in that, through the process of social interaction, these social phenomena are in a constant state of construction and reconstruction. Take the above example regarding organisation and culture; instead of seeing organisations as external realities, they can be taken as

emergent realities in a consistent state of construction and revision. Rules and regulations of organisations are far less restricted and much more generally understood. Subjectivists also emphasise the active role of individuals in the social construction of organisations.

In the subjectivist's view, culture is not something that the organisation 'has'. This is mainly because that social world is in a continuing process of revision. The subjectivists' viewpoint is that culture is created and re-created through a complex series of phenomena. It is the meanings that are attached to these phenomena by the social actors within the organisation. Therefore the organisation's culture cannot be treated as isolated and is very difficult to manipulate.

4.3.2.2 Epistemology

If the ontological position reflects the researchers' view about the nature of the world, the epistemological position reflects their view of what can be known about the world and how they can get to know it; literally an epistemology is a theory of knowledge. It concerns what is considered acceptable knowledge in a field of study, whether the social world can be studied 'scientifically' and whether it is appropriate to apply the methods of natural sciences to social science research. The key question here is to what extent our knowledge of things depends on our prior conceptions or experiences.

On the objective side of epistemology, researchers tend to adopt the philosophical stance of the natural scientist. As Remenyi and Williams (1998:259) state:

“...working with an observable social reality and that the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientists”.

Objectivists believe that only phenomena and knowledge confirmed by the senses can be regarded as knowledge. In other words, knowledge starts from our senses. Because that reality is characterised by real objects and exists externally to that of the researchers, they believe in observations and view social phenomena from the third person's point of view. This implies that the researchers are often excluded from the observation processes. The same assumption was made by Remenyi and Williams (1998:31): "the researcher is independent of and neither affects nor is affected by the subject of the research study", therefore, in the objectivists' view; it is regarded as a value free research.

In contrast, the alternative position takes up the subjective side of epistemology. The adherents of this position believe that the world is socially constructed and each person's knowledge and understanding of the world they observe is subjective, dependent on their prior experiences (Blumberg et al., 2005). It emphasises the difference between conducting research on people rather than objects. Subjectivists argue that no observers/researchers can be purely objective because they live in the social world, therefore being affected by and involved in the social constructions of 'reality' (Bernstein, 1983; Burrell and Morgan, 1979; Willmott, 1990). At the same time, they stress that social actors are quite significant and play a very important role in the process of interpreting the social world. Subjectivists may often interpret and see things from their own point of view.

4.3.3 Different Approaches to Ontology and Epistemology

From the discussion above, researchers are clearly taking their own subjective/objective view on both ontological and epistemological philosophy positions. There are two

different classifications of the philosophical tradition, positivism and interpretivism, which have been widely accepted by social researchers. A key question discussed in the following section is whether objective generalisations are possible in the different approaches to ontology and epistemology.

4.3.3.1 Positivism

Positivism takes an objective view of both ontological and epistemological positions. Therefore, positivists believe that the world exists independently of our knowledge of it and can only be viewed objectively. Positivists try to establish regular relationships between social phenomena, using theory to generate hypotheses which can be tested by direct observation. In this view, the world is not socially constructed and all things are regarded as real objects which are directly observable. Therefore, positivists tend to use observation as an independent test of the validity of a theory. At the same time, they believe that knowledge develops through observing objective facts. In this case, researchers have no influence on the research process. Thus, the researchers are acting independently and the research is conducted value-free. This implies that, when different researchers observe a social phenomenon, they should gather the same facts describing that specific social phenomenon.

For pure objectivist, there is a preference for the philosophical stance of the natural scientist; researchers tend to use a pre-defined research method which allows for less researcher involvement or influence. Research studies, thus, focus on hard data rather than opinions and expressions, at the same time, looking for regularities in the data obtained (Gill and Johnson, 2002). Positivist research studies begin with hypothesising fundamental issues and deducing what kind of facts support or reject such hypotheses; it

is more like a deductive theory testing process. One of the key characteristic of deduction is generalisation. Positivists believe it is possible to generalise from the specific example to the wider population, because a sample can be representative of an objective whole.

4.3.3.2 Interpretivism

Opposite to positivism is the interpretivist approach to the ontological and epistemological positions. It believes in the subjective side of both. Fundamentally, interpretivists contend that the world is socially constructed; it is subjectively being given meaning by the social actors and is being interpreted from their viewpoint and interests. Researchers working from this approach are actively involved in the research process and are considered an important part of the observation process. In interpretivism, there is no objective truth and direct observation is impossible, since the interpretations and meanings attached to social phenomena are what is important.

Unlike those carried out from the positivist approach, research studies within interpretivism emphasise what is happening in the social world. Researchers try to understand subjective realities and offer interpretative explanations. This implies that interpretivists believe that a simple fundamental assumption cannot be applied in every social phenomenon, since social reality is created and influenced by the social actors, it is way too complicated. Therefore, interpretivists argue that generalisation from a sample is hardly possible. For instance, the facts describing one organisation can hardly be applied to another, since every organisation is a construction of social actors and can be unique. Again, should we consider a specific circumstance to be acceptable today; it

does not follow that we will consider it to be acceptable in three months time. Therefore, generalisation is less emphasised in interpretivism research studies.

4.3.4 Middle-Range Thinking

In Burrell and Morgan's (1979) philosophical framework, researchers are either taking a purely objective or a purely subjective approach to ontological and epistemological positions. This has been condemned by Laughlin as being too simplistic; therefore, as a reparative approach to Burrell and Morgan's (1979) framework, Laughlin (1995) proposes a refined approach to social research in his paper.

Instead of insisting on the two extreme poles of philosophical position, such as ontology and epistemology, there should be a valid position located somewhere half way in between: the 'middle-range' thinking. Laughlin (1995) emphasises that choices on the three interrelated dimensions – theory, methodology and change – have to be made before undertaking any empirical investigation. It is possible to connect the choices made with the extent to which objective generalisations are made.

Firstly, researchers who adopt a high level of prior theorising in their investigation generally believe in an objective material world. There are a lot of theories and empirical variety, as researched in previous studies, existing in this assumed material world. Researchers tend to make generalisations and apply these well-developed theories into their own research studies. Laughlin (1995:66) argues that current investigation:

“...becomes little more than an additional incremental study in the great general theoretical design which has been unfolding over maybe centuries of time.”

Against high levels of prior theorising, a number of researchers have followed the opposite approach of low levels of prior theorising. They believe that the world is not material but is a subjective projection of people's minds (Laughlin, 1995). They thus recognise that different people have different viewpoints, and generalisation on theories and empirical phenomena is almost impossible. By holding the low levels of prior theorising view, researchers refuse to rely on theories or empirical data from previous research studies. They believe that a particular theory for one particular phenomenon cannot be transferred to another research due to the differences in context and background between different research studies. As a result, researchers tend to develop their own theory findings and specific empirical data.

Conversely, middle-range thinkers take the 'middle point' position in the theory dimension. Middle-range thinkers believe that a material reality exists independently from our interpretation, but do not deny the usefulness of empirical details. This implies that middle-range thinkers accept the existence of prior theory at a broad level; this is defined by Laughlin (1995: 333) as the 'skeletal' theory:

“The 'skeleton' metaphor is intended to paint a picture of incompleteness yet also reasonable stability. It is also intended to register the point that metaphorical 'flesh'...are important additions leading to definable and important differences in the make-up of the resulting 'whole being'”.

However a lot of empirical detail is required to make it meaningful. Generalisation is possible in the middle-range thinking approach. Because, to a certain degree, the world has its independent existence and theory may be applied to more than one situation. Middle-range thinkers assume that this happens at a broad level. But the underlying empirical issues need to be studied in detail and are not generalisable.

The second issue that Laughlin emphasises is the theoretical nature of the methods adopted. A central distinction here is made between the different relationships involving the researcher and the collected data. This is seen as a continuum with, at one extreme, the investigation taking a homothetic approach and, thus, seeing the researcher as having no impact on the research process and the insights forthcoming. At the other extreme, the investigation would take an ideographic approach, seeing the observer as an integral part of any investigative process (Broadbent and Laughlin, 1997).

The third aspect relates to the method dimension, on which middle-range thinking also takes the 'middle point'. It adopts a theoretical defined method which has rules and standards to guide the observation process. At the same time, there is still room for the various subjective empirical details involved in the observation process. This makes generalisation possible in the middle-range thinking approach. For example, this PhD study is to conduct research of SER practices among a limited number of companies in China; through a theoretical defined methodology, results such as 'every sample company is providing sustainability reports' can be developed. In middle-range thinking this result may then be generalised as that most limited companies in China are producing some sort of social and environmental report. This is something that can be observed through samples by a theoretical defined methodology. However, the empirical details behind this fact, such as how and for what reasons companies produce their social and environmental reports, will differ from company to company, since companies are not isolated from social actors, rather they are constructions of social actors. Moreover, these empirical details are also affected by the way different researchers interpret them. Therefore, middle-range thinking allows generalisation at more general and broader level.

Finally, Laughlin (1995) also highlights the choices which must be made in relation to attitudes to the desirability of change in the situation which is under consideration. The ‘low’ change position is one which would seek to maintain the status quo, a ‘high’ change position would seek change in all situations and is generally associated with a critical perspective. Middle-range thinking advocates the possibility of maintaining the status quo while remaining open to change.

4.3.5 Summary of Research Methodology

From the discussion above, different positions on ontology and epistemology and the extent to which it is possible to make objective generalisations in accounting research have been critically evaluated. Ontology is a branch of philosophy which is concerned with the nature of social phenomena as entities. Whereas, epistemology is concerned with what constitutes acceptable knowledge. It is not possible for researchers to adopt one position for one research project and the other for a different one. These positions are not interchangeable. For instance, positivists look for causal relationships and tend to produce what they believe to be objective and generalisable conclusions in research studies. Whereas, researchers from the interpretive tradition are more concerned with understanding, rather than explaining, phenomena and focus more on empirical details. Thus, in a subjectivist’s view, pure objective generalisation is impossible. To sum up the previous discussion, it indicates that philosophical positions have a direct effect on the amount of objective generalisation one research study can have. Also, they affect the corresponding research methods adopted.

Laughlin’s (1995) middle-range thinking approach is adopted as the fundamental philosophical principle in this PhD research study. Middle-range thinking takes the ‘middle point’ on all three dimensions – theory, methodology and change. Middle-range

thinkers take both objective and subjective views on ontology and epistemology and they contend that some generalisations are possible at a broad level, but empirical details will vary in each individual situation. They also argue that a prior theory exists, referred to a 'skeletal' theory, which requires detailed 'flesh' to make it more meaningful and complete. This PhD research adopts neo-institutional theory as the 'skeletal' theory and goes through different research methods to collect data as 'flesh' to gain a deeper understanding of institutional theory. When conducting research, middle-range thinking adopts a theoretically defined methodology which can give the research a certain direction. At the same time, researchers are encouraged to participate in the research process and give their own interpretations of empirical situations.

The key philosophical debates underlying research methodologies and their implications on the research design have been reviewed. Positivism and Interpretivism present distinctive views; however, when adopting middle-range thinking, the different opinions on research methods and the practices of research will involve a lot of compromise between these extreme views. It is clear to see that the philosophical view held by the individual researcher is an important factor which affects the choice of research methods.

4.4 Aims and Objectives of This Research

Before adopting any research method for data collection, it helps to be clear about the overall aims and objectives of this research study. As discussed in the first chapter, due to various internal and external pressures, there is an increasing emergence of many Chinese organisations implementing a social and environmental reporting system. This

PhD study is inspired by the lack of research into Chinese companies' external reporting of social and environmental issues, together with the rising need and changing government policies involving such reporting in recent years. The prime aim of this research is to understand and analyse the reasons underpinning the recent rapid development of Chinese SER practices. In addition, the research investigates the objectivities of social and environmental disclosure practices and their trends over time, particularly from the year 2006. The aim of this PhD research will be pursued through a major empirical investigation, involving face-to-face semi-structured in-depth interviews of a number of Chinese companies operating in different industries and with different priorities and attitudes to social and environmental issues. Research questions that serve to clarify the research aim will focus on:

- 1) What are companies reporting? – Managerial perceptions.
- 2) What kinds of media does the sample Chinese company use?
- 3) What motivates companies to disclose social and environmental information?

This PhD research study distinctly differs from most prior SER research studies in that it specifically explores the underlying motivations of sample organisations in voluntarily disclosing social and environmental information in a developing country – China – as most prior research studies investigated the situation of social and environmental reporting in developed countries, such as the United Kingdom, Australia, Japan and so on. In addressing the research aims, the detailed objectives of the empirical analysis in this research study are to:

- Provide an in-depth assessment of the nature and extent of SER practices in a sample of Chinese companies;
- Identify the key motivating factors underlying the voluntary external reporting of social and environmental issues by the sample companies;

and

- Draw conclusions and make recommendations regarding possible future research directions for SER practices in China.

4.5 Qualitative and Quantitative Research Methods

4.5.1 Overview

Drawing from the discussion in the previous section, the methodological choice is directly influenced by the ontological and epistemological assumptions of the researcher. These assumptions, which reflect the researcher's view of the social world, have been discussed in earlier sections in the context of the present research study. These primary assumptions imply that this PhD research study is inclined towards the use of Laughlin's middle-range thinking framework in that it is more concerned with exploration and understanding rather than explaining and focuses more on empirical details. The use of middle-range thinking methodology tends to lead to the use of qualitative research methods, consisting in a lot of empirical work. Before presenting the specific research methods chosen for this PhD research study, it firstly explores the nature and general characteristics of qualitative and quantitative research, which especially emphasises on the former. Much of the dilemma pertaining to the choice of research methods tends to revolve around the choice between qualitative and

quantitative research methods. The philosophical assumptions underpinning this PhD research study attempt to avoid the dangers of such dilemma and provide guidance in the choice of research methods.

4.5.2 Qualitative Research Methods

Qualitative research tends to examine issues in their natural setting and interpret cases in terms of the meanings people bring to them (Denzin and Lincoln, 2003). It refers broadly to “research that produces descriptive data: people’s own written or spoken words and observable behaviour” (Taylor and Bogdan, 1984:5). Van Maanen (1979) argues that the label “qualitative methods” does not have an exact meaning and is an umbrella term applied to a number of interpretive techniques aimed at describing, decoding, translating and otherwise inferring the meanings of events or phenomena naturally occurring in the social world.

There are a number of distinctive characteristics embedded within qualitative research. It tends to be inductive in that researchers develop concepts and gain insights and understanding by identifying and tracing patterns and consistencies in the data. This involves a form of detective work and has also been referred to as ‘exploratory’ research as people and settings are studied holistically with qualitative researchers aiming for a naturalistic approach within which they aim to interact with informants as unobtrusively and naturally as possible (Mintzberg, 1983). A particular emphasis is placed on determining ‘how’ and ‘why’ a particular phenomenon exists, which means that qualitative researchers must set aside their own beliefs or perspectives (Taylor and Bogdan, 1984).

A key issue raised within qualitative method is that there is no search for the absolute 'truth' but more for an understanding of the perspectives of others. Validity is another key issue in the use of qualitative research methods as they must be designed to ensure a "close fit between the data and what people actually say and do" (Taylor and Bogdan, 1984:7). By interacting with people to understand their thinking, qualitative researchers gain firsthand knowledge of social phenomena. It is unrealistic to expect perfect reliability from qualitative research.

Qualitative researchers are, to some extent, flexible in how they attempt to undertake their research studies and, although there are guidelines to be followed, there are never strict rules and standards. The research methods adopted should assist the researcher, "never is the researcher a slave to procedure and technique" (Taylor and Bogdan, 1984: 8) with the process being akin to an intellectual craft (Leavy, 1994).

"Doing description" is the primary task of data collection in a qualitative research study (Van Maanen, 1979); Covalleski and Dirsmith (1990:544) perceive qualitative data as holding many attractions as:

"...they provide rich descriptions of the social world, most particularly the meanings attached to actions and events in the language of its principal actors; facilitate exploring unforeseen relationships; and reduce researcher-induced retrospective distortion and unsupported inferential leaps".

Miles (1979:590) explores the 'attractive nuisance' of qualitative data as he considers this form of data as:

"...rich, full, earthy, holistic, 'real'; [its] face validity seems unimpeachable; [it] preserve[s] chronological flow where that is important [and its] collection requires minimal front-end instrumentation".

4.5.3 Quantitative Research Methods

In social science, the majority of the quantitative methods used are drawn from natural science (Morgan and Smircich, 1980). Quantitative research emphasises “the measurement and analysis of causal relationships between variables [with the] inquiry... purported to be within a value-free framework” (Denzin and Lincoln, 1994:4). It is often guided by more of a positivist philosophical perspective, and it captures knowledge by “...manipulating data through sophisticated quantitative approaches, such as multivariate statistical analysis” (Morgan and Smircich, 1980:498). Quantitative research requires “the use of standardised measures so that the varying perspectives and experiences of people can be fitted into a limited number of predetermined response categories to which numbers are assigned” (Patton, 1990:14). The results gathered from quantitative research tend to give “a broad generalisable set of findings presented succinctly and parsimoniously... [in contrast to the] ... wealth of detailed information [produced by] a much smaller number of people and cases [thus] increasing understanding of the cases and situations but reducing generalisability” (Patton, 1990:14).

It should be highlighted that qualitative and quantitative research methods are not to be seen as mutually exclusive, even though they are based on different philosophical assumptions (Denzin and Lincoln, 2005; Patton, 2002; Silverman, 2009). Both research methods can be adopted and have been adopted in the same research study. However, it more or less depends on how researchers decide to explore the research questions. Qualitative research methods tend to provide richness and depth to a study as opposed to the breadth provided by research methods.

4.6 Research Design and Methods Employed

4.6.1 Overview of Research Methods

Given the researcher's philosophical assumptions, the broad exploratory nature of the research and its emphasis on understanding the underlying reasons for SER practices, qualitative research methods are adopted in this PhD research study in order to fulfil its research objectives. Research methods aim to help achieve the research aim and objectives, and that achievement, within this research study, involved two major empirical stages. The first stage was a pilot study, involving content analysis identification, recording and analysing all social and environmental information in both annual reports and SERs produced by the pilot study organisations. Content analysis is described as "most often used for descriptive purposes, can be exploratory or explanatory" (Neuman, 2010:48). In addition, two Chinese companies were chosen to be the sample for the pilot study. Semi-structured interviews were carried out with the key persons responsible for social and environmental disclosures. The second stage involved conducting and analysing semi-structured interviews extended to all sample companies with the key persons responsible for social and environmental reports, in order to glean their perceptions regarding a variety of social and environmental reporting issues.

4.6.2 Sample selection

Gray et al. (1995b:87) identifies four approaches to the sample selection process in the UK CSR literature: "the selection of the largest companies; the selection of large, medium and unlisted companies; a broad selection of companies from the Times 1,000; and a selection of 'interesting' or 'best practice' cases". The selection of samples in this

PhD research study combines the first and fourth approaches and comprises 23 large and ‘interesting’ listed Chinese companies. However, there is no single method applicable to the sample selection process, especially in a qualitative research study. There were a number of criteria that had to be taken into account when choosing the samples for this research study. Initially, as this research study involves face-to-face interviews, the willingness of corporations to participate in the interviews definitely influenced the selection process of the sample organisations. The second criterion is related to the qualitative nature of this research, as Neuman (2010:219) argues: “qualitative researchers focus less on a sample’s representativeness than on how the sample or small collection of cases, units, or activities illuminates social life”. For that reason, the primary intention in selecting samples for this research is to gather specific cases that can elucidate and deepen understanding. The research aim is to investigate the reasons/motivations underpinning social and environmental reporting practices. Thus, the sample scope was limited to those organisations which produced some kind of SERs or disclosed social and environmental related information. Finally, the sample tried to cover a range of different industrial sectors to enable the comparison of companies across sectors. Given the size of the companies, they are significant in terms of their proportion within the Chinese economy, production output and employment.

In addition, sample size is another important factor in designing any research study. There is no right or wrong number for the sample size; it depends on the nature of the research and the research method adopted. For example, in quantitative research, when conducting questionnaire surveys, researchers tend to pick as large a sample as possible. This is also affected by the response rate. Conversely, some qualitative researches aim at investigating certain social issues, and researchers tend to pick a smaller sample,

looking for a deeper understanding of these particular issues, and because this is not assumed or intended to be generalisable.

As for this PhD research, the sample size of the pilot study was quite small, including two Chinese public listed companies, one of them operating in an environmentally sensitive industry and the other in a non-sensitive one. However, the pilot study affected the style and the sample size of the main study. The key intention was that, should the data gathered in the pilot study prove not to be rich enough to understand SER trends or, in other words, should different interviewees from the same company give the same/standard answers, then a relatively large sample would have been picked for the main study, looking at SER issues in more companies, albeit with less in-depth insights. Conversely, should the pilot study provide fruitful data from the different interviewees within each company, and then the main study might have considered selecting a smaller sample, but would have tried to generate more in-depth results.

4.7 The Pilot Study

The pilot study was conducted before the main study. There were two stages in the pilot study: content analysis and semi-structured interviews. The background information relating to social and environmental reporting practices was studied through content analysis. A list of important issues, instrumental in achieving the research objectives, was covered during the semi-structured interviews. Several interview question sets were drafted before coming to the final version that was used in the main study. As the interviews proceeded, interview questions were refined. First of all, content analysis was conducted to reveal the social and environmental disclosures in the sample companies.

4.7.1 Content analysis

In line with many previous social and environmental reporting (SER) research studies in the SEA discipline, the first research method employed in this PhD research study was a form of content analysis. This method was utilised in order to analyse statements concerning the social and environmental information included in the SERs, prior to the interviews. The content analysis data was analysed in this research study, the researcher using content analysis mainly to be informed about the report content in advance of each interview. It is therefore only reasonable to give a brief discussion of the content analysis method and attempt to support its use in this research study, given the underlying philosophical assumptions underpinning it.

It was considered desirable to recognise what kind of social and environmental issues organisations have been reporting on, and to become familiar with trends in SER practices. In a way, content analysis identified the SER practices in the sample companies and aimed at identifying the companies' practices relating to social and environmental issues, thus helping to formulate and frame the interview questions.

Content analysis has been referred to as a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding (Berelson, 1952; Krippendorff, 1980; Weber, 1990). Holsti (1969:14) offers a broad definition of content analysis as, "any technique for making inferences by objectively and systematically identifying specified characteristics of messages". The type of content analysis used in this PhD research study is qualitative, which is regarded as a semiotic informed analysis¹³ (see, for example, Bebbington et al., 1999), steers

¹³ This is not a formal semiotic analysis as such, rather the analysis is informed by semiotics where the researcher explores the meaning and implications of CSR in the SER, not just counts of disclosure (Bebbington, 1999).

away from the measurement of volume of disclosures and towards focussing on the implications and meaning of the disclosures by investigating the ‘context’ in which they take place (Adams and Harte, 1998). Qualitative content analysis indeed examines the qualitative aspects of the social and environmental disclosures of the sample organisations.

Unerman *et al.* (2007b: 203) suggest: “...for pragmatic reasons, it was necessary to place limits on the scope of documents analysed – if this were not done then the number of documents to be analysed for any single organisation could have been overwhelming”. Therefore, SERs and annual reports were the only two type of reporting media examined in this research study.

4.7.1.1 A brief review of existing content analysis research studies

Content analysis can be found in many previous researches. Sumiani *et al.*, (2007) conducted research based on environmental reporting in Malaysia, where content analysis was affected on the corporate annual reports to examine the type and nature of environmental information being disclosed. The checklist for their content analysis was developed based on the decision rules for the categories of social and environmental disclosures developed by the U.K.’s Centre of Social and Environmental Research (CSEAR) and guidelines from the Global Reporting Initiative (GRI). Through the examination of 50 companies’ annual reports, they came to a conclusion that the extent of environmental information reported in Malaysian corporate annual reports is low level. Another research study, which was conducted by Guthrie *et al.*, (2008) also employed content analysis to analyse industry specific social and environmental reporting in the Australian food and beverage industry.

In these studies, content analysis served its descriptive purpose. It can be seen that content analysis is a mechanism used to measure comparative positions and trends in reporting (Guthrie et al., 2004; Guthrie and Abeysekera, 2006). Content analysis has been used and is held to be valid in the social and environmental reporting literature to evaluate the extent of disclosure (Gray et al., 1995a; Guthrie and Parker, 1990; Hackston and Milne, 1996).

Content analysis tends to present published information in a systematic, objective and reliable analysis (Guthrie and Parker, 1990; Krippendorff, 2004). The content analysis used in this PhD research study helped to understand the social and environmental issues disclosed by the sample companies and therefore develop more appropriate questions to be asked in the following data collection stage: the interviews.

4.7.2 Limitations of the Content Analysis Research Method

It is recognised that, like all other research methods, content analysis has its own limitations. For instance, content analysis alone is not sufficient in order to achieve the researcher's aim in writing about the content under scrutiny (Tilt, 1998b). As outlined above, there is a possibility of subjectivity involved in content analysis, in that different researchers may perceive the same set of documents differently (Tilt, 1998b). However, as the philosophical assumptions underpinning qualitative research "accept that all research is conducted with a subjective bias (Streubert, 1995:11), the content analysis in this research study served its purpose of assisting the researcher to gain an understanding of the social and environmental disclosures of the pilot study organisations.

4.8 Interviews

4.8.1 Outline of the Interview Research Method

Interviews have been recognised as one of the most effective methods for collecting qualitative data (Easterby-Smith et al., 2002). An interview is a conversation with a purpose (Maykut and Morehouse, 1994); semi-structured in-depth interviews were adopted as the second research method in this PhD research study in order to gain an understanding of the underlying reasons for SER practices in the Chinese context. The Online Oxford English Dictionary (1989) defines the word ‘interview’ as: “a meeting of persons face to face, esp. one sought or arranged for the purpose of formal conference on some points”.

There is a wide range of ways in which interviews can be conducted. At one extreme, they can be highly structured and formalised; at the other, they can be quite spontaneous, allowing for free-ranging discussion. Interviewing is not as simple as it seems to be, and sometimes its complexity can be underestimated. Interviewing should be undertaken properly, and suit the nature of the research study. For example, a questionnaire survey might be more appropriate than an interview when researchers wish to collect numerous answers to a number of rather simple questions, such as in a positivistic study. In this case, only face-to-face interviews provide the opportunity for researchers to ask such questions face-to-face. Thus, in some cases, questionnaire surveys might be a cheaper and more convenient way to generate the same response. Interviews might be used appropriately, for instance, when questions involve in-depth understanding, a good amount of thought, and answers need to be investigated and clarified (Easterby-Smith et al., 2002), as is appropriate in many interpretive studies. This interviewing process gives greater confidence in the response rate than questionnaire surveys.

When conducting interviews, especially face-to-face interviews, the interviewer has the chance to perceive non-verbal signs, such as tone of the voice, facial expressions or body language. These can be taken into account and help to further refine interview questions or develop secondary questions. Sometimes, these non-verbal signs may offer important reasons for misinformation. Easterby-Smith et al. (2002:74) consider interviews an appropriate research method when:

- 1) It is necessary to understand the constructs that interviewees use as a basis for their opinions and beliefs about a particular matter or situation;
- 2) The aim is to develop an understanding of the respondents' 'world' so that the researcher might influence it, either independently or collaboratively, as might be the case with action research.

This PhD research study meets the above criteria; an understanding of the perspectives of the corporate managers (who have a direct involvement in the SER initiation process) is sought in order to assist in understanding SER practices in the Chinese context. It is considered that their perceptions and beliefs are what counts and what will help in gaining this understanding. A vital determinant for the adoption of interviews as the main research method in this study is that the researcher recognises that the interviewees' opinions are valuable and useful (Marshall and Rossman, 1995). Their subjective views on SER practices within their organisations are what matters.

The underlying philosophical assumptions underpinning this research study allow the use of the interview method to obtain subjective perceptions. The recognition of the individuals' importance in creating a form of reality is explicit, as the interview method facilitates the researcher in gaining individual perceptions. It thus provides some

(subjective) understanding of SER practices. The use of semi-structured in-depth interviews enables the interaction between the interviewer and the interviewees in as natural a manner as possible, encouraging the interviewees' perception to come to the fore, thus illuminating what is in and on their minds (Patton, 1990). In both the pilot and main studies, semi-structured in-depth interviews were carried out with the finance director or other senior executives of the organisation.

4.8.2 Limitation of the Interview Research Method

As Stated by Neuman (2010), interview bias is at its greatest in face-to-face interviews. The opportunity to have access to interviewees can affect the response. In general, interview bias falls into six categories (Neuman, 2010: 309), which were carefully considered when conducting the interviews within this research study:

- 1) "Errors by the respondent – forgetting, misunderstanding or lying because of the presence of others".
- 2) "Unintentional errors or interviewer sloppiness – contacting the wrong respondent, misreading a question or misunderstanding the respondent".
- 3) "Intentional subversion by the interviewer – purposeful alteration of answers, omission or rewording of questions or choice of an alternative respondent".
- 4) "Influence due to the interviewer's expectations about a respondent's answer based on the respondent's appearance, living situation or previous answers".
- 5) "Failure of an interviewer to probe or to probe properly".
- 6) "Influence on the answers by the interviewer's appearance, tone, attitude, reactions to answers or comments made outside the interview setting".

Many of these biases have been kept to a minimum by using appropriate interview skills/techniques, which are going to be discussed in Section 4.9.

Despite the positive aspects related in an earlier section, it is considered that the use of interviews does present some weaknesses, particularly given the nature of the social phenomena being studied in this PhD research. For example, Taylor and Bogdan (1984:81) notice that:

“...as a form of conversation, interviews are subject to the same fabrications, deceptions, exaggerations, and distortions that characterise talk between any persons. Although people’s verbal accounts may lend insight into how they think about the world and how they act, there can be a discrepancy between what they say and what they actually do”.

Marshall and Rossman (1995) point out that, in fact, interviewees may not be entirely truthful when they have very little prior knowledge of certain interview topics. In order to avoid appearing to lack knowledge or awareness, the interviewees may elaborate on their perspectives on certain interview topics they believe the interviewer might think they should have. This could lead to self-serving responses. Therefore, in this research study, the participants chosen are people who have a direct involvement in the SER initiation process and are considered to have a basic knowledge of their organisation’s SER practices.

Interview data can also be affected by the emotional state of the interviewees while the interviews are taking place. The researcher tried to establish a rapport before the interview started in order to reduce the unease/tension between herself and the interviewee and to encourage the interviewees to share certain perspectives/information.

By recognising the limitations of the interview research method, the researcher becomes aware of the issue and tries to avoid it. The detailed process of using the interview research method in this PhD research study is discussed in the following section.

4.9 Conducting the Main Study and the Interviewing Process

The following sections present the use of semi-structured in-depth interviews as the second research method utilised in this research study. It outlines the process of selecting the interviewees, conducting the interviews, and collecting the data.

4.9.1 Sample Selection

Personnel at the managerial level involved in the SER initiation process in Chinese listed companies from a broad range of industrial sectors were chosen as the candidates for the interviews. There were two key reasons for the selection criteria. Firstly, individuals at a managerial level could be expected to have a general knowledge of their organisation's operation and may thus be considered as being able to address the general interview questions. Secondly, all interviewees have some involvement in the process of initiating, preparing or publishing the SERs and it was recognised that, to some extent, they might have in-depth perceptions regarding the issue of SER.

The original plan for the interview process was to conduct multiple interviewees from any single sample organisation to try to generate different perspectives within a small sample. However, during the initial stage of arranging the interviews, most of the potential candidate organisations rejected the request of interviewing more than one person from their organisation, mainly due to the lack of human resources and time. This therefore led the researcher to make adjustments to expand the sample size to obtain a variety of perspectives from a larger number of organisations. This also reflects

the philosophical assumption underpinning this research study, which is that it recognises the importance of the researcher's involvement and, when necessary, it allows the researcher to make certain adjustments to the research study.

The participants' names for initial contacts were obtained from the sample organisations' websites and personal contacts with several directors in a number of Chinese organisations. Formal interview invitation letters were sent out via email to thirty-one organisations. These letters included a brief introduction of the researcher's background, together with a short description of the research study and the key topics to be addressed. By doing this, each interviewee can think about the areas being addressed in advance of the interviews and ask for any clarification required. Any potential candidate organisations that failed to respond to the email were contacted by phone. Overall, out of the thirty-one requests made, thirty-six individuals from twenty-three organisations agreed to participate in this PhD research study. Those who were unable to participate in the interview process claimed the lack of human resources and lack of time to be the primary obstacle. All thirty-six individuals who agreed to participate expressed great willingness to contribute to the research study. All thirty-six interviews were carried out at the organisations' corporate headquarters. Two of the interviewees were interviewed during their lunch break, while the remaining thirty-four interviewees were interviewed during their normal office hours.

4.9.2 Dealing with Ethical Issues

An ethical issue to be aware of when conducting interviews is the potential invasion of privacy (Neuman, 2010). Interviewees are likely to provide information honestly when the questions are asked in a comfortable atmosphere of mutual trust. Therefore, all organisational participants in this PhD research study were treated with dignity and

minimum discomfort, and the interview questions were asked in a well-developed sensitive way.

The guarantee of confidentiality was mentioned in the interview invitation letter. In order to obtain open and unguarded responses to the interview questions, an informed consent form [see appendix 2] was prepared and signed by the interviewer prior to the interviews and distributed to the interviewees at the beginning of each interview. Before starting the interviewing process, the interviewer outlined the research nature to each interviewee once again. In all cases, the researcher declared that the anonymity and confidentiality of both participating interviewees and their organisations would be maintained throughout the course of this PhD research study. No private information would be disclosed without the prior consent of the participants. The interview would only be recorded with the permission of the interviewee. The interviewer reassured the interviewees that they had the right to withdraw at any time. This promoted a high level of openness and honesty. The researcher also clarified the nature of the interview questions, which do not have 'right' or 'wrong' answers, and the interviewees were encouraged to express their opinions freely. A guide was used as a prompt to ensure that all the key issues were addressed at some point during each interview to ensure some level of standardisation in the topics addressed, (Welman and Kruger, 2001). At the end of each interview, the participant offered to provide further help should it be deemed necessary, thus emphasising the establishment of a rapport. Throughout the interviews, the interviewer did not come across any evidence of the interview questions being perceived as overly confrontational in any way.

4.9.3 Data Collection

The interviews were carried out during two stages: the pilot study in February 2009 and the main study from June to September 2009. All interviews were undertaken face-to-face and were semi-structured in nature. The semi-structured interview is considered to be the most suitable research method in the situation as explained by Saunders et al (2009:243-244):

“The researcher will have a list of themes and questions to be covered, although these may vary from interview to interview. This means that you may omit some questions in particular interviews, given a specific organisational context which is encountered in relation to the research topic. The order of questions may also be altered depending on the flow of conversation. On the other hand, additional questions may be required to explore your research question and objectives given the nature of events within particular organisations. The nature of the questions and the ensuing discussion mean that data will be recorded by note taking or perhaps by tape recording the conversation.”

This fits the nature of this research study, the semi-structured interview was thus deemed appropriate for data collection. Although an interview guide [see appendix 1] containing a list of themes and questions was used for each interview, in some cases, the research questions varied depending on the organisational context. Since the early questions may influence the interviewee’s responses to later ones and the nature of this influence is not always the same, the researcher was led to explore and probe some of the responses further and to ask additional questions that might result in clearer explanations of specific issues.

In fact, the interviewer was in total control of the interviews. For example, should an interviewee raise an interesting point on a particular issue; the interviewer could formulate it into a new question for later interviews; this reflected an important advantage of using the middle-range thinking approach. As was said in earlier sections, the research method should fit the research aim and help in the achievement of the

research objectives; the same applies here. Thus, the type of research question should fit the nature of the research and help to achieve the research aim. This research aims at investigating the reasons and motivations for Chinese organisations to produce social and environmental reports (SER). As in-depth qualitative data were intended to represent the majority of data sourced, the interview questions had to help to investigate in-depth and promote a deeper understanding of SER related issues. Therefore, in this research study, the interview questions were designed to be open-ended, as this would allow complex motivational influences and frames of reference to be identified.

The key topics and the related interview questions were designed to help the researcher to understand why Chinese organisations have adopted SER practices, and were partially shaped by the review of existing literature in the SEA discipline, along with the content analysis. The interviews ranged from 50 minutes to 1 hour and 15 minutes in duration (except one interview, which lasted 2 hours and 30 minutes). The interviews covered general questions relating to organisational performance with regard to CSR and more detailed questions on the interviewees' perceptions of SER practices.

At the beginning of each interview, permission to record the interview itself was obtained from the interviewee. It was emphasised to each of the interviewees that the recording was only going to be used to ensure the clarity and accuracy of the interview, and that the interviewees could request to stop the recording at any stage of the interview.

Key issues were noted down during the interviews, which helped the interviewer to reflect on the responses given. Audio recording increased the accuracy of the data collection process. It also allowed the interviewer to be more focused on and attentive to

the interviewees. At the end of each interview, the researcher noted her reflections on the interview in a journal; these included the relationship between the interviewer and the interviewees, the interviewees' general reaction, any improvement needed and so on.

4.9.4 Analysing and Displaying the Data

Qualitative data analysis is considered as a highly personal activity, and the interpretation should mostly reflect the original data. The majority of the data of this study was collected through interviews; transcription of all interviews was done by a professional transcription service. The researcher then checked the transcription against the audio recording to make sure of its validity.

4.9.4.1 Analysing Data

As all interviews were conducted in Chinese, there were two possible ways of analysing the data; either all interview transcriptions could be translated into English before analysing them or they could be left in Chinese, and the analysis would be done in Chinese as well. Due to the large volume of interview materials, it would have been very time consuming and superfluous to fully translate each individual interview transcript from Chinese to English. Therefore, the data was mainly analysed in Chinese, the generated key codes and themes, especially direct quotations, which support the discussion were subsequently translated into English. However, the narratives have not been translated word-to-word; rather there was a translation of the meanings which were considered to be of help in the understanding of the concepts and discussions.

During the data analysis process, the interview transcripts were read on five different occasions, with different focuses. The initial coding of themes was undertaken manually; once the initial coding process had been completed, the intensive coding was carried out

using the Nvivo software and a range of themes was extracted from various codes. Similarities and contradiction were identified among a variety of themes. These were then used to build up narratives of how and why each sample company initiated SER practices. As such, the narratives represent a condensed version of the responses provided during the interviews. While presented in the third person, they are designed to be the interviewees' stories, as told.

In presenting the narratives, the purpose was to present the information of those linked to initiating and developing SERs in each organisation. These stories provided the raw data for the analysis that follows and provide a transparent way of showing the connection between what was said by the organisational participants and how institutional influences combined with organisational dynamics to shape the initiation of SER practices within the sample organisations. Narratives have the additional benefit of highlighting recurring themes, but not in such a way to present a "smoothed out set of generalisations that may not apply to a single 'interview'" (Huberman et al., 1994:435; O'Dwyer, 2002; Bebbington et al., 2009:601).

Whilst it is acknowledged that citing extensive quotes is not favoured by all researchers, I consider that their quotation allows me to provide a richer insight into the influences the organisational participants believed to have experienced. The quotes reflect the context within which the interviews took place and the originality of the quotes also allows the richness of the data to shine through. Whilst the interviews enabled me to collect information that was not otherwise available and allowed me to gain an insight into the managers' perceptions of the pressures exerted on the field – something that was necessary for this research – the interview responses cannot be deemed to be reliable by any absolute measure. The responses were potentially influenced by various

factors, and the reliability of the respondents' recollections was influenced by their willingness or ability to provide an accurate account of the past (which might, in turn, be influenced by various cognitive, cultural, political, or organisational factors), and so forth (Easterby-Smith et al., 2002). Hence, as with most research that relies upon interviews as the main source for collecting information about the interviewees' perceptions of past events, the results need to be considered in light of potential biases or inaccuracies in the interviewees' responses.

4.9.4.2 Displaying the Data

A matrix table (see table 6.1) was developed in order to display the key themes generated from the coding process. None of these key themes was explicitly pre-selected. Sample organisations were categorised into the different organisational fields that they operate within. In table 6.1, there is an indication of the number of sample organisations within each individual organisational field. However, while recognising that the most common recurring themes in the data were easily determined using the matrices, the researcher was careful to avoid presenting a smoothed set of data and an attempt to preserve the uniqueness of certain individual interviews was made.

There is no standard way for displaying and writing up qualitative data. In this PhD research study, the researcher focused on a process akin to narrating a short story clustered around a key theme (See, Norris and O'Dwyer, 2004). In this way, the key themes were explicitly enhanced and fully illustrated. However, in many qualitative research studies, researchers are often tempted to 'cherry pick' from "elements of [their] description to either support or refute the core constructs in [their] analytical themes" (Norris and O'Dwyer, 2004:403). I was therefore deliberately trying not to make my

description ‘fit’ the key themes being used as this would have required the exclusion of crucial insights and contradictions, thereby ensuring that the emerging narrative would have ‘failed’ my analysis.

Despite the different approaches adopted by researchers, the resultant narrative should always ensure that the reader encounters a ‘resonant’ and ‘invocative’ account (Baxter and Chua, 1998). Therefore, the analysis of the key themes includes an extensive description and supporting quotations from the interview transcripts. Individual quotations were selected to support, emphasise, and clarify relevant key themes, through the “liberal use of quotes” in order to “allow the reader to hear the interviewees’ voices” (Norris and O’Dwyer, 2004:403). The researcher developed a numbering system to indicate the rough source of a quote without breaching the confidentiality undertaking. This uses a letter for each industrial sector followed by a number for each different organisation within that sector. For example: ‘E1’ represents the first sample organisation in the Energy sector.

4.10 Summary

This chapter has presented the methodological choices made in this PhD study and has discussed in detail the use of the two research methods adopted in it. Initially, the key philosophical assumptions that tend to underpin any academic research study were outlined. The research objectives of this PhD research study were then highlighted. Based on ontological and epistemological beliefs, the researcher adopted Laughlin’s (1995) middle-range thinking approach and selected in-depth interviews to collect the empirical data. In the second half of this chapter, the discussion focused on how the

research methods evolved and what approach was taken to the analysis of the interview data.

Chapter five is going to set the scene for this PhD research study by introducing the Chinese contexture background which this study took place.

Chapter Five: The Chinese Context - A Contextual Review

5.1 Introduction

Chinese society has undergone deep changes in the past thirty years or so. These changes have been no different from those that have occurred in most developing countries and the industrialised world, but the pace of change in China has been exceptionally swift. The increasing interest in Corporate Social Responsibility (CSR) in China appears to have coincided with a dramatic growth in the number of Chinese organisations adopting Social and Environmental Reporting (SER) practices. The previous chapter presented an overview of the philosophical assumptions that guide this research study and the research methods adopted to collect the empirical data. The main aim of this research study is to examine why Chinese organisations have adopted SER practices through the examination of a number of sample organisations. It is therefore very important to address the contextual background in which this research study took place. This includes the reporting practices of Chinese organisations and the unique socio-political, economical and cultural background in China. As this PhD research study is trying to explore the motivational factors underlying the initiation of the SER practice by Chinese sample organisations, this first requires an understanding of the Chinese context in particular.

In this chapter, the Chinese context of the research study is outlined and the unique characteristics of this country, from a socio-economic point of view, are detailed. The contextual relationship between society and business is then discussed, with regard to social and environmental concerns in particular. At the end of the chapter, a review of SER practices in China is presented. This review chapter will assist in providing a

greater understanding of the nature of CSR in China and offer an indication as to how the needs of the wider society might have influenced organisational practices.

5.2 An Overview of China

The People's Republic of China (P.R.C.) (referred to as China from there onwards) was founded in 1949. However, the history record of the country could date back more than 3000 years. Leading by the Chinese Communist Party, the new government established its position in the country after more than two generations of war and social conflicts, an economy damaged by high inflation and slow growth, and disrupted transportation links (Bramall, 2008). The government quickly installed a brand new political and economical system.

China has experienced a remarkable period of development and substantial growth over the past three decades. It is increasingly playing an important and influential part in the global economy. In 2010, China became the world's second largest economy (Barboza, 2010). Despite of this significant achievement, China still suffers from its complex development needs, such as the gap between rich and poor. With a per capita income of US\$ 3650 (World Bank, 2009), China is a lower middle income country. With the second largest number of consumption-poor in the world, the gap between the rich and poor has widened (Wong and MacPherson, 1995). These facts have caused a lot of social problems, for example, the tension between economic incentives and the claim for ethical consciousness with regard to accounting for the society and environment (Trevino and Nelson, 2010).

During the period of rapid growth spanning three decades, it has seen western corporation investing heavily in China, all striving to adapt their business models to this huge market and Chinese firms have been trying to maximise their profits too (Yan, 2005). Today, China is probably more integrated into the international community than at any point in its history, and the competitive economic landscape is changing rapidly. China has now realised that the implementation of sustainable development strategies is becoming the common choice by many countries. Chinese organisations are starting to take social and environmental responsibilities seriously; unprecedented opportunities abound for them to turn the CSR fad into a real opportunity for social change (Yan, 2005). At the same time, the Chinese government gave its propositions on sustainable development, saying that the broader society must adopt a correct attitude towards the relations between social, environmental and economic development. The Chinese ex-premier Zhu Rongji said at the final session of the World Summit on Sustainable Development in Johannesburg (2002):

“We are called upon by the new situation to proceed from the larger interest of harmony between man and nature and complementarity between environment and development and to take the road of sustainable development with stronger determination and more solid steps” (au.china-embassy.org).

5.3 The Changing Chinese Economic Context

China, being the largest country in Asia, is widely recognised as one of the beneficiaries of globalisation and rapid economic development (Yin and Choi, 2005). It is a country that became industrialised late, compared to many western countries and a number of Asian countries, but when this process commenced it evolved dramatically. The development of Chinese economy can be divided into three stages. The first stage spans

the period beginning in 1949, with the foundation of the People's Republic of China, and ending in the late 1970s, before the start of the reform era; the second stage goes from the late 1970s, the start of the reform era, up to the mid-1990s. The last stage covers the period going from the mid-1990s to the present day.

5.3.1 First Stage: 1949-Late 1970s

For the period going from 1949, the foundation of the People's Republic of China, up to the early 1950s, the country still had a predominantly agricultural economy, characterised by a lack of technological support to increase the agricultural productivity. At this stage, as a consequence, the per capita production of grain remained at early 20th Century levels. In the early 1950s, the Chinese government undertook a substantial social and economic reconstruction programme with a focus on changing old China's legacy of poverty and weakness.

The first Chinese Five-Year Plan started to be implemented in 1953, it designed and carried out economic development policies¹⁴, which resulted in an annual average economic growth rate of about 4% from 1953 to the late 1970s, among the highest in the developing world at the time (Wei, 2000). It laid the foundations for the future development of Chinese industry and society. The key task, at the time, was to develop heavy industry, which was believed could determine the progress of every other field.

During that time, apart from the development of heavy industry, land reform was another main focus. Land was the lifeline of Chinese peasants, it was therefore important to provide them with as many opportunities as possible to own and work their own land. The reform yielded immediate results, such as increased productivity; this

¹⁴ Includes: high saving rates; government control investment capital, and so on (Chow and Li, 2002)

was also reflected in the increased rural purchasing power. These improvements provided a steady foundation for China's industrialisation.

At the same time, the Chinese government took control of most large economic organisations and sectors, as well as the financial industry. It began to channel investment into economic development. At that time, as a result, the Chinese economic growth rate was of about 4% from 1949 to 1978, starting from a per capita base of about US\$50 (Chow and Li, 2002). This significant economic progress created some massive, costly social issues¹⁵. Despite all of the development problems afflicting China, its economic growth was reported to be faster than that of India and most other similar countries. The government's achievements were reflected in the vastly improved education, health level and life expectancy of most Chinese (World Bank, Unpublished, 1978).

During this first stage of economic development, the Chinese government regarded environmental degradation as a consequence of capitalism – something that socialism would simply not suffer from (Qian, 2000). The role of enterprises was to manufacture goods in accordance with government planning. There was no need for them to consider social and environmental issues, nor was there any conception of what social and environmental responsibility might be.

5.3.2 Second Stage: late 1970s – mid 1990s

During the second stage, from the beginning of the reform era up to the mid-1990s, China shifted from an agricultural to a more industrialised economy. In 1978, after the

¹⁵ the tragic loss of about 30 million Chinese lives during the policy-created famine of the "Great Leap Forward" during 1958-60, and the social destruction, chaos, and persecution of intellectuals and party members during the Cultural Revolution of 1966-76.

death of the first Chinese leader, the second generation leaders¹⁶ began to gradually steer the country from a planned to a market economy. A clear decision was made to shift policy emphasis towards socialist modernisation, and put into practice a strategy for economic reform and openness to the outside world. During this stage, the Chinese economic reform was redirected to become urban-centred. The most influential decision made during this economic reform was to establish a socialist market economy system, based on Chairman Deng Xiaoping's open door policy.

Since the late 1970s, the government had kept the ownership of most Chinese industries¹⁸ and control of its economic sectors. Private control of agricultural land was made possible through signing long-term leases and, for the first time, a free market was opened up to a small percentage of businesses, especially those providing customer goods and services. Joint ventures with Chinese companies also allowed for foreign participation.

As a result of changing government planning and policies, the Chinese economic development was flourishing more than ever. As a consequence of the shift in emphasis onto industrial development, the Chinese government began to realise the importance of dealing with social problems, environmental issues and industrial pollution. Towards the mid-1990s, China was starting to absorb CSR concepts from western countries. However, the idea of CSR had always been present in Chinese culture, although there had been times during which the concept had been ignored by many Chinese organisations. Additionally, by putting CSR under the heading of

¹⁶ Such as Deng Xiaoping and other pragmatic Chinese reform leader.

¹⁸ Such industries include communication; energy; financial services; manufacturing; mining; transportation and so on.

“Service to the People” and “Socialist Spiritual Civilisation”, the concept of CSR had been inglobated into Chinese political decisions and planning.

5.3.3 The Third Stage: Mid-1990s – Present

Since the 1990s, there have been no dramatic changes in the direction of Chinese economic development and the reform has run smoothly in almost every aspect and made remarkable progress (Chow and Li, 2002). From the mid-1990s to the present, the Chinese economy has achieved strong growth levels, averaging an 8-10% annual rate (Chow and Li, 2002). In fact, this growth rate has lead to a doubling of the economy about every 7 years. Should this high rate of economic growth continue, it is considered that China will become the largest economy in the world by approximately 2020, in terms of purchasing power parity (Qian, 2000).

Following the “Decision on Issues Concerning the Establishment of a Socialist Market Economic System” adopted at the Third Plenum of 14th Party Congress in November 1993, and subsequent “Outlines of State Industrial Policy” issued by the State Council in March 1994 (Jen, 1997), from the mid-1990s, China’s economic development entered a new stage, known as market-oriented economy. A series of reform and development programmes were launched. The majority of the changes have occurred within the financial system. There was a change in the policy of promoting account convertibility of its currency without liberalising capital account. This policy resulted in a dramatic increase in exports and foreign direct investment. It also helped China to ride the Asian Financial Crisis of 1997 (Qian, 2000). The establishment of the National Tax Bureau and local tax bureaus in 1994 prevented local governments from reducing taxes, as they had done in the past. This directly contributed to the economic development at central and local level. Another key change effected since the mid-1990s was the

privatisation of State-Owned Enterprises (SOEs). In 1995, the policy of ‘grasp the large and release the small’ was issued; the central government was starting to promote the privatisation of SOEs. This change of policy led to an increase in privatised companies, which tended to pursue more productivity than the traditional centrally controlled SOEs (Qi et al., 2000).

From the reform era until the present day, China has experienced three decades of exceptionally rapid economic growth. This development has attracted attention throughout the world. However, over time, some of this focus has shifted to the impact that it is having on social conflicts and environmental issues. The Chinese government started to pay more attention to these issues. For example, in 1998, the Ministry of Labour and Social Security (MLSS) was established, a National Social Security Fund (NSSF) was set up and a ‘two guarantees’¹⁹ policy was adopted to cope with the rising unemployment rate. Also, in today’s China, the companies usually pay social insurance premiums for both existing and newly recruited employees.

In the last decade, the Chinese government has set up numerous initiatives to research and promote socially and environmentally responsible activities and reporting mechanisms, especially after the announcement of the ‘harmonious society’ vision. In state-owned enterprises, managers are trained to understand the importance of performing in an ethical manner and take part in social and environmental activities. In addition, one of China’s leading research bodies – the Chinese Academy of Social Science (CASS) has set up a CSR research centre, which is taking part in the

¹⁹ The first is a guarantee of the basic livelihood of personnel laid -off from SOEs, by which they receive an allowance for basic living expenses and are paid social insurance premiums; the second guarantee is to ensure the basic livelihood for all retirees so that they receive basic pensions in full and on time (Wang et al, 2004).

sustainable development research. It is believed that these trends embody unique ‘Chinese characteristics’.

5.4 The Changing Chinese Social Context

Since the foundation of the PRC, Chinese society has also undergone enormous changes. With the Chinese government setting forth a ‘people centred’ strategy aiming to achieve a ‘harmonious society’, the attention has shifted more to social development and issues. It aims to balance the fast economic growth with distributional and ecological concerns. Over the years, considerable progress has been made in improving basic social conditions, such as social protection, education and health.

5.4.1 Religion

Chinese religion is not a unified, organised system of beliefs and practices. Rather, it is a broad term used to portray the complex interaction of philosophical traditions and various religions that are of particular influence in China. These religions²⁰ include: Buddhism, Taoism, Islam and Christianity. Traditional Chinese religions are mainly composed of four key belief systems: Buddhism, Confucianism, Taoism and Chinese folk religion. In China, there are national religious organisations, which run their own affairs independently. These include: setting up religious schools, producing religious publications and running social services in accordance to their

²⁰ Buddhist Association of China, Taoist Association of China, Islamic Association of China, Chinese Patriotic Catholic Association, Chinese Catholic Bishops' College, Three-Self Patriotic Movement Committee of the Protestant Churches of China, and China Christian Council.

own needs. Despite the existence of various religions in China, all religions were banned during the "cultural revolution"²¹.

Since the beginning of the 1980s, in order to make amends, Chinese governments, at all levels, have made great efforts to revive and implement the policy of freedom of religious belief, redress the unjust, false or wrong prosecution of religious personages, and reopen sites for religious activities. In the course of China's long history, the various religions have influenced and have become part of traditional Chinese thinking and culture. It is traditional for Chinese religious believers to love their country and its religions. The Chinese government supports and encourages the establishment of religious circles to unite believers in actively participating in the construction of the country; all religions²² advocate serving society and promoting the people's well-being.

5.4.2 Geography and Demography of China

China is the third largest country and the most populated country in the world. There are 22 governing Provinces, with the five largest Provinces accounting for 55% of the land. In 1979, the One-Child policy²³ was introduced to slow down the fast growth of the population. As a result of this policy, in 2008, China counted around three hundred million fewer people. However, population and natural resources are still among the biggest problems in China. Geography leaves only 13% of arable

²¹ It was a socio-political movement that took place in China from 1966 to 1976, it was designed to further advance socialism in the country by removing capitalist elements from Chinese society

²² Such as the Buddhists': "Honouring the country and benefiting the people"; the Catholics and Protestants': "Glorifying God and benefiting the people"; the Islam's: "Praying to Allah to give great reward in this world and hereafter".

²³ Minorities, rural couples, parents without siblings, children with disabilities are excluded from the policy.

land for farming and 10% has been damaged in the last 7-10 years due to land development. Most of the population is centred in East China, on farmland. This causes problems with food production. Pollution has also become a serious problem, with acid rain polluting rivers and lakes; in Xi'an²⁴, of 8 nearby rivers, most can provide no usable water.

5.4.3 Education

Since ancient times, China has attached great importance to its educational sector and has therefore produced many successive ideologists and educationists. In modern China, the education system was set up with the government as its major investor so that it is legally possible for everyone to get an education. However, the lack of funding to meet the country's long-term educational needs is still the biggest problem. With the largest school age population in the world, the expenditure in the Chinese educational section has always been much lower than in most other developing countries. There are also differences between regions and, within each region, the rural-urban divide is also highly visible.

5.4.4 Family

Family life is considered to be a very important element of Chinese culture and tradition. Traditionally, in ancient China, there was a very well defined class system²⁵. The traditional ideal was 'five generation under one roof', family relationships were especially close and family always came first. With the passage of time, Chinese family values have undergone many changes. Today, the Chinese usually live in smaller family

²⁴ It is situated within the Central Chinese river plains

²⁵ There was a very wealthy upper class and also a poor, peasant class; each lived in its own separate ways.

units. In many cases, the Chinese way of life is heavily influenced by Western culture. Although the way of life is now much modernised, the traditional values of family importance and reputation are still recognised and respected in all families.

A unique feature affecting Chinese families is the One-Child policy, established by the then Chairman Deng Xiaoping in 1979 to control the rapid growth of the population and to counter the drain on the country's natural resources. Although then designated as a 'temporary measure', it continues more than a quarter-century after its establishment. This policy, geared towards controlling the population outburst, has had widespread effects on the marital relations between couples, along with the status and prospects for women in society.

5.5 CSR, a historic tradition of ancient China

The concept of Corporate Social Responsibility (CSR) was first formulated in the West almost two decades before China began stepping up to its present level of participation into global trading and businesses. Supporters of CSR do not believe in the viability of isolated short term economic business profit. Instead, they call for a broader, long term perspective embracing a range of economic, social and environmental factors, which may affect, or be affected by business operations. From, the early 1990s onwards, CSR has become a relevant subject with respect to the low-technology, high-labour oriented production models of developing countries.

In ancient oriental civilisation, Chinese society was mainly community-based and remains so even to the present day. There has almost never been a State social security system. The State normally only took action when a major social crisis or natural

disaster presented itself. For this reason, the poor were usually cared for locally by other members of the community. In ancient China, businessmen were placed at the lower end of the social order, after statesmen, farmers and craftsmen. In general, their interests and rights were hardly represented in central government at all. Consequently, businessmen were more willing to donate and contribute to society in order to achieve a level of standing equal to that of statesmen. For example, in the Guangdong province, bridges and primary schools were built by wealthy merchant families; lonely elders were cared for in private establishments called 'Shang Tang' (houses of virtue) and orphans were adopted by wealthy families. Moreover, during the festival seasons, rich merchant families would distribute daily commodities, such as rice, cooking oil, clothes and so on, to their poor neighbours or to others in the same community. This tradition still continues in some parts of China.

Furthermore, Chinese business ethics scholars claim that Chinese business ethics are the product of Chinese tradition. They hold that current CSR issues in China are a reflection of Confucianism. The Confucian virtue of 'yi' (义) is the pivot around which the Chinese tradition of business ethics evolves. *Yi* can be translated as "righteousness", though this may simply mean "what is ethically best to do in a certain context" (Ip, 2009). Also, this is about doing the right thing for the right reason, and *Yi* is based upon reciprocity.

'*Li*' is another defined characteristic of Confucianism, and is the opposite of 'yi'. '*Li*' can be defined as personal advantage and, in the case of business, it emphasises the 'profit'. In his article, Lu (2009: 455) claims: "Throughout history, numerous businessmen have encountered the problematic conflict of 'righteousness' and 'profit'. If they could not help focusing on the short term profit, they would go for petty returns.

But if they appreciated the large, long term gain of the nation; they would bring about national common prosperity, even if that entailed sacrificing their own personal revenue”.

The Chinese implications deriving from the conflict between “righteousness’ and ‘profit’ appear to be almost identical to those based on the divergence between ethics and profit offered by Western CSR literature. However, a significant difference emerges, as Chinese scholars elaborate further on the implications of “righteousness” on the Chinese traditional emphasis on the hierarchal ordering of human relations. According to one scholar, “righteousness” is the key norm of the superior interacting with the inferior: “‘righteousness’ should guide a virtuous ruler interacting with a subject, a father interacting with his son, a husband interacting with his wife, an elder brother interacting with his younger brother. In these situations, “righteousness” includes the approval, protection and favour bestowed by the superior upon the inferior”, (Stolenberg, 2000). This is consistent with the saying of Confucius: “the mind of the Superior man is conversant with righteousness, the mind of the mean man is conversant with profit”.

To sum up, the implication of ‘yi’ in Confucianism does not only refer to identifying and acting upon what is right; rather, it refers to behaving in the appropriate way befitting one’s role or status in a given social hierarchy. Adapting this into the Chinese CSR context, the conceptualisation of ‘yi’ integrated within Chinese tradition advocates that organisations should take into account a broad range of stakeholders who may affect or be affected by the corporate decisions and actions. This, again, refers to the Chinese tradition of leaders educating the people by performing as role models for righteousness.

5.6 The review of social and environmental reporting in China

The history of social and environmental reporting (SER) in China is relatively short. Normally, the bulk of formal social and environmental related information was disclosed in and around the organisation's annual report.

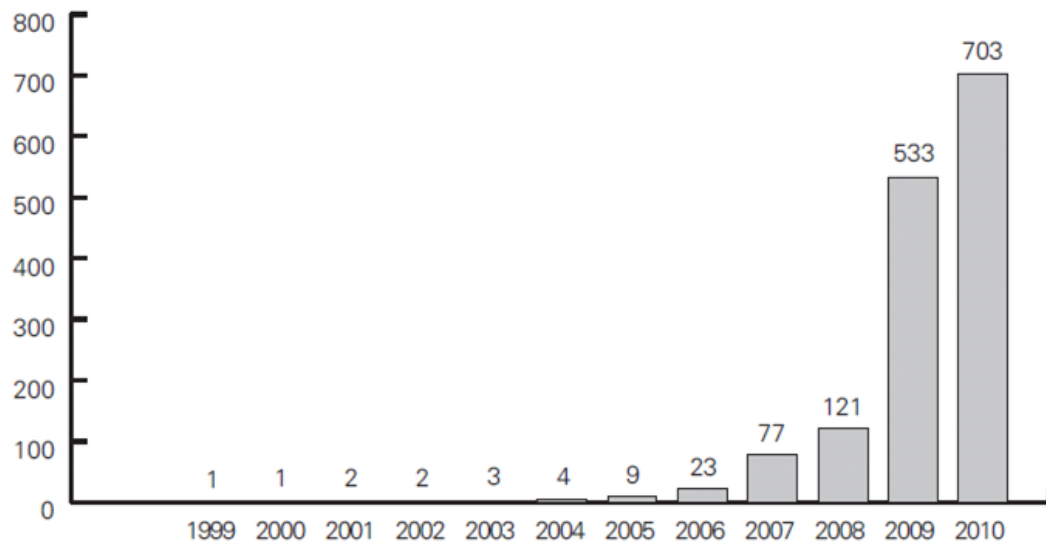


Figure 5.1: The SERs statistics from 1999-2010

Source: China Sustainability Reporting Resource Centre (2010)

As shown in the figure above, the first report dates back to 1999, when Shell (China) issued a stand-alone sustainability report in addition to its annual report. In the following years, many Chinese companies produced some kind of social, environmental or sustainability reports; examples being Petro China, Bao Steel Corporation Limited, Ping An insurance, China Mobile and so on. For instance, the China National Petroleum Corporation published its first corporate social responsibility (CSR) report in 2000 and has published it annually since. Bao Steel has issued environmental reports in both 2004 and 2005. Haier Group issued its first environmental report in 2005. Since then, the number of companies which publish

sustainability reports has increased dramatically; by 2007, that number of organisations that have produced various kinds of CSR report had reached 77.

Along with the development of social, environmental and sustainability awareness, more and more organisations have begun to issue comprehensive corporate social responsibility reports or sustainability reports instead of the former environmental reports or environmental health and safety reports (Han and Zhang, 2009). Compared to the annual report, social responsibility reports and sustainability reports have richer contents and are more comprehensive. They cover various aspects of an organisation's non-financial performance, e.g. investor relation focus, health and safety codes, contributions to society and the community. Recent statistics show that, at the end of 2010, the number of organisations that had adopted SER practices had grown to over 600.

Generally, before 2005, a very limited number of Chinese corporations that published CSR reports, including environmental reports, sustainability reports and corporate citizen reports, exerting little influence on other organisations. In 2006, the situation changed, with a sudden increase in the number of social and environmental reports published and in the number of organisations involved. 23 social and environmental reports (SER) were published for the first time in that year, more than double the previous figure. As a result, the China Business Council for Sustainable Development has called 2006 the 'year zero' for the development of Chinese sustainability reports.

Various types of external stakeholders, including foreign investors, had been pressuring Chinese organisations to disclose their social, environmental and sustainability performances (Sun and Tobin 2005). Within China, the Central

Development and Reform Committee (CDRC) and the Shenzhen and Shanghai stock exchanges had urged state-owned enterprises and listed companies to publish SERs. The latest environmental incidents and production safety scandals involving Chinese companies also shifted the attention within the business community to begin managing these threats. For example, one of China's top ranking companies in the food industry – Bright Dairy and Food Ltd. was the subject of several negative news reports in 2007. The Ministry of Environmental Protection (MEP) has listed eleven highly polluting companies – including Bright Dairy and Food – around the Songhua river, and many consumers have stopped buying products from Bright Dairy. One customer told the media: “they (BDF) do not treat the environment seriously, how can we trust them to treat their products seriously”.

Chinese organisations are beginning to recognise both the internal and external benefits of moving towards socially and environmentally responsible business models and a relevant reporting mechanism is an important element of these newly emerging management systems. Many Chinese companies are under social and environmental pressures and have issued product recalls due to safety concerns. In the global marketplace, social and environmental reporting (SER) is increasingly seen as an important tool which may be used to convince consumers, investors and regulators that Chinese companies are operating and managing their organisations to the same standards of many foreign companies.

5.7 2006, the year of Social and Environmental Reporting (SER)

SER is a relatively new concept for Chinese organisations. While the concept of SER surfaced several years ago in the west, in China, SER is still in its infancy but is

growing steadily. However, in 2006, a great leap was made in China's SER development. Various events happened in 2006, which motivate and set the context for this PhD research study.

5.7.1 Laws and regulations

In October 2005, at the tenth National People's Congress of the People's Republic of China (PRC) and, within it, the 18th session of the Standing Committee, the Company Law of the PRC was amended and adopted. The amended Company Law was promulgated and formally came into force on 1st January 2006. The range of amendments to the Company Law was very broad. One of the most significant improvements made was that the amended Company Law now focuses not only on the internal interests of shareholders and employees, but also plays an important role in representing public interests and the order of the market economy. In other words, while pursuing maximum economic profits for the company, the company and its managers and directors also bear certain social and environmental responsibilities. The general provisions of the amended Company Law require that the company must obey the law and administrative regulations – complete with social ethics, business ethics, honesty and trustworthiness – must allow the supervision of the government and the general public and undertake social and environmental responsibility for their operations.

In practice, laws and regulations can play an essential role to encourage the development of SER. For instance, since the 1990s, 30 U.S. states, Germany and Japan have amended their Company Law to include corporate social responsibility and related reporting mechanisms (Moon and Shen, 2010). The key principle of these amendments requires that the managers of companies not only focus on shareholders'

interests, but must also be responsible for their social and environmental impacts and stakeholders' interests. 2006 was the first time that "PRC Company Law" clearly put forward that organisations should take on social and environmental responsibilities.

5.7.2 State-owned Enterprises

Before 2006, the majority of companies issuing social and environmental reports (SER) in China were foreign enterprises. Very few Chinese companies produced SERs. However, in 2006, a significant number of Chinese organisations, including many Chinese state-owned enterprises, began to disclose their social and environmental information and issued SERs. In 2004, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the Department of Construction Management at TsingHua University set up a joint research group on sustainability reporting in China. In early 2006, the Ministry of Commerce's Transnational Corporation Research Centre issued a draft of "Guidelines on Corporate Responsibility Reporting for Chinese enterprises". The State Grid Corporation of China (SGCC) published its CSR report on March 10th 2006; this was the first report that a Chinese state-owned enterprise had ever produced. It was even praised by the Chinese central government. Premier Wen JiaBao commended on the SGCC's CSR report and said: 'This is well done' (Yan, 2007). Corporations have to be responsible to the society they operate within, and be subject to the wider society's monitoring. This CSR report was also commended by Li Rongrong, the Chairman of SASAC and Chai Songyue, the Chairman of State of Electricity Regulatory Commission. Large, state-owned enterprises are still an important aspect of Chinese contemporary society; the managerial and operational activities of large companies, especially state-owned enterprises, have significant impacts on the community and society. Being the first CSR report released by a state-owned enterprise, the SGCC's first CSR report not only

represented an awakening on the issue, but also took the initiative in responding to society's expectations and questions. The Premier's commendation of that CSR report sent out the message of the Chinese government's appreciation and support for the active fulfilment of social and environmental responsibilities by state-owned enterprises. The support of the central government and related media coverage also served to encourage other companies to follow the actions of state-owned enterprises in producing SERs. This was a milestone in the history of the development of SER in China. Furthermore, in the second half of 2006, following the trend, the China National Offshore Oil Corporation, the China Ocean Shipping (Group) Company and China Mobile all produced their first SERs. China Mobile declared that:

“In September, 2006, our company decided to develop a corporate responsibility report, with the immediate aim of raising China Mobile's ability to take social responsibility via the reporting process. After its publication, we planned to introduce the reporting system into our government procedures” (Ge Qi China Mobile).

5.7.3 Development of social and environmental responsibility

Across the globe, Corporate Social Responsibility (CSR) is booming. Business schools offer CSR classes, conferences abound, and companies increasingly pay attention to their social and environmental activities. Similarly, CSR related activities are on the increase in China. One of the most important representative events was the Excellent CSR Cases International Exposition and CSR International Forum, which was held in Shanghai, China, on March 27th 2006. With “responsibility, competition, and contribution to China” as its core theme, this activity was jointly sponsored by the Magazine Agency of China WTO Tribune under the Ministry of Commerce, CSR Europe, the JieFang Daily Group and the China Institute of Industrial Relations. The

International Exposition and CSR International Forum actively advocated the proposal that organisations should pay more attention to responsible competitiveness. “Responsible competitiveness is equal to CSR together with the professional specialty of the organisations.” (Ip, 2005) In the Case exhibition, more than 50 organisations demonstrated their practices in undertaking CSR and achieving better economic effects. These organisations included some enterprises with major foreign investment such as Pepsi (China) and Amway (China). More large Chinese enterprises, including the Haier Group, Shanghai Yongle, the Triangle Group among others, have participated to this kind of event. Moreover, the president of the China Association of Enterprises with Foreign Investment and the honorary president of China WTO Tribune Shi GuangSheng visited the 2006 Excellent CSR case exhibition, and declared: “the responsible competitiveness idea is a win-win concept of vitality, it can make enterprises pay attention to their enterprises own specialty and can lead enterprises to fulfill their social responsibilities while they promote their economic efficiency and competitiveness”.

5.7.4 Trade Unions

The All-China Federation of Trade Unions (ACFTU) was founded on May 1st 1925. It is a mass organisation formed, on a voluntary basis, by the Chinese working class. There are 31 provincial trade union federations, 10 national industrial unions and 1.324 million grassroots trade union organisations (in 2.753 million enterprises and institutions) affiliated to the ACFTU. While protecting the overall interests of people, the major task of the ACFTU is to better consider workers' concerns, protect workers' specific interests, and fulfil the social functions of protection, construction, participation and education in every aspect. By keeping to the principle of “where there are workers, there should be trade unions”, Chinese trade unions spare no effort in building as many

grassroots organisations as possible and organising the majority of workers into trade unions. The ACFTU's requirement of establishing a trade union is not only applied to Chinese organisations, but also to foreign-investment enterprises. In 2004, the National Labour Committee released a report revealing labour rights abuses of Wal-Mart contractors in China. Wal-Mart contractors have been reported as having broken the China Labour Law, mistreating their workers, illegally withholding and making deductions from workers' wages, which were already far below the local government minimum requirements, illegally forcing workers to work overtime and unjustifiably making large numbers of workers redundant (Cai et al., 2002). Wal-Mart, not their contractors, has suffered criticisms from all over the world, especially from Chinese trade unions. It is very well known that Wal-Mart employs non-trade union labour. Wal-Mart opened up more than 6,500 branch stores in 16 countries and regions around the world, but they have refused to allow more than 1.6 million employees to join trade unions. However, with more and more foreign enterprises entering China, trade unions increasingly insist that organisations operate in accordance with relevant laws and regulations. They also pressure companies to take on social and environmental responsibility and conform to China's national conditions to perform better in line with their responsibilities. Wal-Mart has been forced to set up a trade union to make sure that their employees are being treated fairly. As a result, the trade union of the Jinjiang store of the Wal-Mart Shenguo International Trust and Investment Limited Corporation was founded in July 2006. This was the first trade union of one of the world's largest retail companies, Wal-Mart China. Thereafter, the number of grass-roots trade unions in China grew rapidly and not only in Wal-Mart, but also in other organisations. The tendency for a swift increase in the numbers of trade unions has been described as an "irresistible force" by China WTO tribune in 2006.

According to the 10th article of the General Principles of China's Trade Union Law:

“The trade union of an enterprise, a public institution or a government organ with 25 or more members shall establish a base-level trade union committee; if the members are less than 25, a base-level trade union committee may be established separately, or a base-level trade union committee may be established by the members of 2 units or more, or an organiser may be elected to organise activities for the members”.

Statistics show that over 39,300 trade unions have been set up in China's current foreign-invested enterprises, the number accounting for more than 25% of the total. A statement issued by Wal-Mart (China) notes: Should staff call for the establishment of trade unions, Wal-Mart (China) will respect their opinions and fulfil its responsibilities and obligations as stipulated in the Trade Union Law. As discussed earlier, prior to this, the world retail giant Wal-Mart's attitude to trade unions was well known to everyone. Xu Deming, vice chairman of ACFTU, claimed that "Compared to making a breakthrough and the rapid progress of Wal-Mart in establishing trade unions, the underlying experience is more meaningful for us to promote the grass-roots trade union organisations in enterprises, including foreign invested enterprises."

"Safeguarding the legitimate rights and interests of workers and seeking the healthy development of enterprises" is a principle of the trade union function with Chinese characteristics. The Wal-Mart incident set an example not only to foreign-investment enterprises, but also to Chinese organisations. The trade union, in recent years, has been involved in promoting SER practices in China; the importance of its position within the industry strengthens the power of this stakeholder group (Lu et al., 2010).

5.7.5 Model of Listed Companies

The dramatic rise in the number of social and environmental reports (SERs) in 2006 was mainly due to reports published by listed companies. To meet the need of building

a harmonious society, to strengthen the social responsibility awareness of listed companies and to promote their commitment to social and environmental responsibility, the Shenzhen Stock Exchange formally promulgated and put into effect the "social responsibility guidelines for listed companies" on September 25th 2006. The guidelines explicitly provide that, as members of society, listed companies should assume their responsibilities to protect the rights and interests of their employees, shareholders, creditors, suppliers, consumers and other stakeholders. The business activities of listed companies should comply to the law; abide by business ethics and safeguard the legitimate rights and interests of consumers, to protect the health and safety of workers, to commit in protecting the environment and preserving natural resources, and to participate in social donations sponsorship and other social welfare services.

The "guidelines" adopt a voluntary disclosure of information system for the implementation of CSR by listed companies. The Shenzhen Stock Exchange called for listed companies to establish their social responsibility system in accordance with the guidelines, to make periodic inspections and evaluations of the implementation of CSR and existing problems, to formulate a CSR report and to release it concurrently with the annual report. Similarly, the trend for the increase in numbers of CSR reports has extended globally. After the Enron incident, important European and American Stock Exchanges issued social responsibility guidelines for listed companies. These guidelines require companies to take on social responsibility in labour protection, protection of the rights and interests of shareholders, environmental protection and sustainable development initiatives and so on. The "*social responsibility guidelines for listed companies*" launched by the Shenzhen Stock Exchange is a means to introduce a mechanism of social responsibility to listed companies, and demonstrably make them national economic pacesetters.

5.7.6 Industrial Pioneers

In December 2006 , the China Textile Industry Association issued the ‘2006 Chinese textile and garment industries CSR annual report’. This was the first report on the overall situation of the development of CSR across a whole industry. Also, this was the first industrial CSR report. It reflected the idea and the practice that the Chinese textile industry, through the establishment and implementation of the self-regulation, tries hard to build harmonious enterprise, harmonious industrial clusters, harmonious industries and an harmonious global supply chain, and to create sustainable development mechanisms of responsible industry for human beings, societies and the environment.

5.7.7 Local Government

In China, a number of different sources are putting increasing pressure on companies to engage in voluntary social and environmental reporting and disclosure. There has been pressure from the government, the State Environmental Protection Agency (SEPA), the Ministry of Finance and the China Securities Regulatory Commission (CSRC), increasing the degree of mandatory social and environmental disclosure required from companies. Apart from this, at local government level, there has been a growing number of initiatives aimed at encouraging companies to take on social and environmental responsibilities and to improve their social and environmental disclosure and reporting. These include the development of indices, rating schemes and other incentive mechanisms. However, there have also been many cases where local government has used the media to ‘name and shame’ organisations responsible for high levels of pollution and social problems. Some cities’ or provinces’ local governments have published ‘red lists’ and ‘black lists’ of the worst polluters, others have put serious social problems under the spotlight.

5.8 Conclusion

This chapter started by expanding on some of the key aspects mentioned briefly in previous chapters by looking into the particular social and economic context in which this PhD research study is undertaken. The background information on China suggests that many social and environmental concerns still exist. This chapter has concluded the literature review of this PhD research study, and has provided foundation background information for the analysis of SER practices in China. It also set out that this research study is very much empirically focused on the Chinese context; therefore this chapter provided information that will facilitate a better understanding of the Chinese situation. Based on the discussion made throughout this chapter, it is not difficult to see that Chinese SER practices are still in their infancy. This is one of the key motivations for carrying out this research. The next chapter discusses the findings of this research study in-depth.

Chapter Six: Empirical Insights

6.1 Introduction

Chapter Six presents the empirical insights of this PhD research study. In presenting the data analysis, the intention is to generate critical opinions relating to the initiation and development of Social and Environmental Reports (SERs) in each sample company. The discussion is presented in three parts. Firstly, a Matrix model is developed in accordance with the interview data; secondly, a discussion and results section is presented, based on the narratives of interviews carried out with the organisational participants from each sample company. This links to the similarities and contradictions which emerge from the interview responses. Finally, a coherent argument highlights the interrelationship between the different elements within the institutional matrix.

6.2 The Institutional Matrix

The Institutional Matrix (See table 6.1) is developed based on institutional theory as a complementary framework for this PhD research study. As was discussed in the theoretical framework chapter (Chapter Three), institutional theory proposes (Zucker, 1987) that the adoption of new practices by organisations is influenced by institutional pressures, which are, in turn, associated with a range of sociological conditions within an organisation's external environment. Throughout this PhD research study, it is recognised that a variety of pressures, existing within external environments, are crucial factors influencing Chinese organisations to adopt SER practices. Given that organisations operating in similar environments tend to behave in similar ways, 'institutional change' only occurs when the majority of the organisations in any one field try to substitute their existing practices with new ones.

Organisational Field	Coercive Isomorphism	Mimetic Isomorphism	Normative Isomorphism
Industrial Sectors <ul style="list-style-type: none"> ✚ Energy (7) ✚ Financial and Banking(5) ✚ Food and Beverage (3) ✚ Construction and Property Development(3) ✚ Manufacturing (5) 	<ul style="list-style-type: none"> ✚ Industry standards ✚ Different stakeholder groups exert different levels of influence 	<ul style="list-style-type: none"> ✚ Peer pressure is intensive in the competitive industry ✚ Competitive differentiation 	<ul style="list-style-type: none"> ✚ Professionalization ✚ Formal education ✚ Within each industrial sector, representative departments' across organisations are structured and function in relatively similar manner.
Ownership Structure <ul style="list-style-type: none"> ✚ State-owned enterprise (SOE) (14) ✚ Domestic Private enterprise (DPE) (9) 	<ul style="list-style-type: none"> ✚ Government influence ✚ Laws and regulations ✚ Other powerful stakeholder groups 	<ul style="list-style-type: none"> ✚ SOEs experience more peer pressure ✚ Strategic positioning ✚ SOEs confronted with heavy social expectations 	<ul style="list-style-type: none"> ✚ SER is the right thing to do ✚ Different level of commitment ✚ CSR training programme
Geographical Locations <ul style="list-style-type: none"> ✚ Beijing (Capital)(10) ✚ Yangtze River Delta Economic Zone (3) ✚ Pearl River Delta Economic Zone (4) ✚ Central China (3) ✚ Hong Kong (3) 	<ul style="list-style-type: none"> ✚ Central government vs. local government control 	<ul style="list-style-type: none"> ✚ Organisations in pearl river delta economic zone experience very limited peer pressure ✚ Market strategy 	<ul style="list-style-type: none"> ✚ Local professional networks ✚ There are more government training programmes in Beijing
Organisational Size <ul style="list-style-type: none"> ✚ Large (18) ✚ Medium (5) 	<ul style="list-style-type: none"> ✚ Medium size organisations tend to react to the quests from external parties easily 	<ul style="list-style-type: none"> ✚ Medium size company experience more peer pressure, especially from the large companies 	<ul style="list-style-type: none"> ✚ Large organisations are more involved in professional networking activities than medium size organisations ✚ 'Taken for granted' occurred in large organisations
Business Orientation <ul style="list-style-type: none"> ✚ Export-orientated (5) ✚ Labour-intensive (8) 	<ul style="list-style-type: none"> ✚ Market influence ✚ Different stakeholder group influence ✚ Different focus 		<ul style="list-style-type: none"> ✚ Different level of media and public exposure
Culture and Context <ul style="list-style-type: none"> ✚ Long history ✚ Short history ✚ Family business history 		<ul style="list-style-type: none"> ✚ Organisations with long history possess habits and inertia 	<ul style="list-style-type: none"> ✚ Social Expectation ✚ Traditional Philosophy

Table 6. 1: Institutional Matrix

Organisational fields play an important part in the Institutional Matrix. Sample companies can be categorised into different organisational fields, based on their institutional characteristics, such as industrial sector, operation size, geographical location and so forth (See Table 6.1). The level of institutional pressure experienced by the sample companies varies across different organisational fields. Institutional isomorphism influences not only the decision for initiating SERs, but also inter-organisational relationships. Moreover, institutional forces influence organisational decision-making from both a macro and micro perspective. A typical sample organisation is embedded in both its own internal institutional environment – including the structures, practices, and standards established in the past (Meyer and Rowan, 1977) – and in its external institutional environment – consisting of other players, such as suppliers, consumers, competitors and regulators (DiMaggio and Powell, 1983; Granovetter, 1985). Applying these concepts to the Chinese SER practice context, pressures from both the macro and micro environments have been identified as having influential effects on an organisation's decision making with regard to the production of SERs and adoption of SER practices.

The review of the collected data shows that many of the proposed motivational factors could be associated with both institutionalised organisational fields and institutional isomorphic pressures. The interview data illustrates that the sample organisations have different perceptions towards their decision for adopting SER practices under the influences of different organisational fields associated with legal, social and psychological elements; these form six different organisational fields. The interview data further shows that a variety of institutional factors, which form a range of key themes, exert varying degrees of coercive, mimetic, and normative pressures on the sample organisations' decisions and choices. These key themes form a continuum

ranging “from the conscious to the unconscious, from the legally enforced to the taken for granted” (Hoffman, 1999:36). The different positions along the continuum are closely linked to the different types of organisational fields.

Through the interviews, it can be seen that there is more than one feasible viable organisational form that an organisation can take whilst existing in the same broader context. As mentioned earlier, the ‘field level’, not the individual organisational level, is the level of analysis of this PhD research study. Based on the organisational characteristics and the interrelationship among the key themes, the sample companies have been categorised into six different organisational fields (See Table 6.1). Based upon the behavioural similarities or differences between sample companies, a range of different sub-groups within each organisational field has been identified.

There are other possible criteria upon which the fields could have been defined, based on the motivational factors mentioned earlier, such as the different types of organisational isomorphism. From reviewing and coding the interview data, it seems that the approach bearing the biggest potential is the one that has been chosen and presented in this chapter. However, it is recognised that there are other possible categorisations. Throughout the data analysis process, insights from institutional theory were used to help structure the analysis and the interpretation of a large amount of diverse data, and then to reflect back on how useful and complete institutional theory has been for this PhD research study. The empirical insights analyses are presented into two sections; the following discussion shows the influence of different institutional isomorphisms and different organisational institutions on companies’ decisions concerning the production of SERs.

6.3 Industrial Sectors

The industrial sector might be considered as being one of the organisational fields that has the most influential impact on its actors. Through interviewing organisational participants, the industrial sector is seen, in many cases, as a centre of dialogue and interaction through which a diverse range of institutions come to bear on actors within different fields, and influence CSR behaviour, SER practices and their rationality; much existing literature highlights this point. The industry type could also potentially affect the levels of voluntary disclosure of social and environmental information (Adams, et al., 1998; Cowen *et al.*, 1987; Deegan and Gordon, 1996; Hackston and Milne, 1996; Kirkman and Hope, 1992; Mohammed and Hill, 1996). For example, Beliveau et al., (1994) found that an organisation's corporate social responsibility levels and their relationship with the firm's profitability vary as a function of the industry it operates in. Industry influences may themselves be derived from the sector in which a specific industry is located – e.g. the service or the mining industry – the general profile of the industrial sector, in terms of its public visibility, the degree of governmental and public scrutiny it operates under, the competitive structure of the industry and the overall historically determined culture of the industry (Jones, 1999).

Through the interviewing process, the terms 'regulation', 'reward/punishment', 'competition' and 'training' are frequently used by the organisational participants in association with the industrial sector. Putting these into context, the following discussion focuses on how the industrial mandates and the environment can temper or promote both the nature and level of SER practices. The various institutional factors relating to each industrial sector are important for understanding corporate SER practices within different types of industries.

6.3.1 Institutional Background

An organisation does not exist in isolation; it has various connections with society at large. Market and industrial factors may be considered to be one of the main issues that an organisation has to deal with when it is founded. This PhD research study carried out interviews among a total of twenty-three organisations. These organisations can be categorised into five broad industrial sectors: electricity power and petroleum [energy], financial and banking; food and beverage; construction and property development and manufacturing (see Table 6.1) based on their organisational characteristics.

Industry typically represents an intermediate level between organisation and community and plays an important role in the processes by which socially constructed expectations and practices begin to spread and reproduce. Specifically, industrial features influence the SER initiation and development process. The significance of the industrial context in relation to SER practices was highlighted in several instances in this PhD research study by a number of organisational participants.

An organisation's CSR attitude and its response to the adoption of SER practices can be expected to differ not only based upon the industry in which it operates, but also upon the nature of its broad type of sector: the primary²⁶, secondary²⁷ or tertiary²⁸ sector. In this PhD research study, organisations belonging to the electric power and petroleum industry can be categorised as operating within the primary sector. Organisations operating within this sector have the tendency to deal with the natural environment and

²⁶ The primary sector usually involves transforming natural resources into primary products. Most products from this sector are considered to be raw materials for other industries. Major businesses in this sector include agriculture, agribusiness, fishing, forestry and all mining and quarrying industries.

²⁷ The secondary sector includes those economic sectors that create a finished, usable product. Organisations within these sectors take the output of the primary sector and manufacture finished goods suitable for use by other businesses, for export or for sale to domestic consumers. This sector is often divided into light industry and heavy industry.

²⁸ The tertiary sector is also regarded as a service industry, providing a service instead of producing an end product.

have high profiles associated with environmental disasters. In China, the majority of organisations in this sector tend to be state-owned. It is therefore not difficult to understand that their most prominent stakeholders include the governmental regulators. Three industries – food and beverage; construction and property development and manufacturing – have been classified as belonging to the secondary sector. Organisations within this sector work to transform raw materials into intermediate or finished products. During the manufacturing process, an extensive and complex range of stakeholder groups are involved. The most relevant are suppliers, international buyers, consumer groups, employees, the environment and local communities. Organisations in this sector have to deal with a broad range of stakeholders; these organisations are among the largest and most capital intensive industries within society. The financial and banking industry fits in the tertiary sector and is one of the most classic examples of it. The basic activities for organisations in this sector involve the provision of services to businesses as well as to final customers. This sector is the home of mass franchising, as well as being the most labour intensive. The main stakeholder groups this sector deals with are employees and consumers at the very least.

In the context of CSR, these five sectors cover organisations ranging from the ‘relatively clean’ to the ‘highly polluted’; from the ‘friendly’ to the ‘sinful’ and from the ‘low CSR sensitive’ to the ‘high CSR sensitive’. Each industry has its own distinctive environmental-social concerns and issues; it is important to understand each industry’s institutional background information prior to the analytical investigation.

6.3.1.1 Energy Industry

Clean energy, renewable energy and energy efficiency have moved to the forefront of the discussion in targeting carbon emissions. The rapid industrialisation and

urbanisation of the past decades have raised concerns about sustainable energy supplies to meet the growing demands in China especially in the electric power and petroleum industry. This industry is characterised as being an increasingly concentrated yet diverse sector, which is both “dominated by large powerful players and comprising many small actors” (Coiacetto, 2007). Research shows that organisations within this industry are particularly sensitive to environmental related issues (Larrinaga-Gonzalez and Bebbington, 2001); this is due to various environmental issues. The sustainable development agenda is brought to the fore in this industry. For example, the electricity industry is a major source of air and water pollution and one of the world’s largest emitters of greenhouse gasses (Delmas et al., 2010). There is hardly another industrial sector with such potential to contribute to economic and social development that, at the same time, can potentially have an extremely negative impact on people and the planet (Stern and Cubbin, 2005). As a result, the past decade has seen a dramatic increase in the attention placed on the topic of CSR in electricity and petroleum supply by governments, multi-stakeholder groups, regulatory associations, local communities and the businesses themselves (Robertson and Nicholson, 1996; Jenkin and Yakovleva, 2006).

The Chinese government has been implementing energy policies and renewable fuel plans to achieve sustainable development in the energy sector. In China, the electric power and petroleum industry is considered to be one of the most ‘extreme cases’ with regard to social and environmental impacts (Wang et al., 2010). Because of the pressure and scrutiny which accompany this industry’s special position, social and environmental

concerns emerged earlier and developed with more intensity within it than in other, less controversial industries (Han et al., 2004).

In terms of CSR development, the electric power and petroleum industry is one of the most unbalanced industries (Yuan and Hao, 2005). The majority of the key players in the industry have participated in CSR activities, and many of them have disclosed their CSR information to the general public on a voluntary base; whereas many unethical practices can be found among small companies within this industry.

6.3.1.2 Financial and Banking Industry

China's banking industry consists of five different types of domestic banks, the largest being the so-called Big Four state owned institutions: the Agricultural Bank of China, the Bank of China, the China Construction Bank and the Industrial and Commercial Bank of China. There are also twelve national shareholding banks. In addition, there are more than 100 city commercial banks, tens of thousands of urban and rural credit unions, together with three so-called policy banks: the China Development Bank, the Export-Import Bank of China, and the Agricultural Development Bank of China (Liu and Huang, 2002).

In light of the recent global economic and financial crisis, considerable commentary has begun to attribute the frauds perpetrated to what is now being referred to as “a decay in business morality” (New York Times, 2002) and to state that “we don't just need a financial bailout; we need an ethical bailout. We need to re-establish the core balance between our markets, ethics, and regulations” (New York Times, 2008). This kind of criticism also appeared among Chinese financial and banking organisations, such as the loan scandal involving the former president of the China Everbright Bank – Zhu

XiaoHua²⁹. Since then, the Chinese financial and banking industry has been under considerable public scrutiny. However, over the past decade, China's financial and banking industry has gone through a significant reforming and liberalising process, which involves encouraging foreign banks to enter China. At the same time, the implementation of corporate responsible banking practices which take into consideration different stakeholders' interests is helping to rebuild public trust in financial services.

However financial institutions and banks might be considered to be low pollution and relatively environmental friendly, they are starting to pay as much attention to environmental as to social issues. For example, the Pudong Development Bank (PDB) Beijing Branch launched the voluntary event themed as "Low carbon makes a better life" and released the 'Pudong Development Bank: Low Carbon Bank Initiative'. Moreover, there is also a tendency for the key actors in the industry to start to shift their focus from just minimising negative impacts on society and the environment to advancing positive change in social development and environmental protection in new forms of Banking, including Micro-financing and Socially Responsible Investment (Zhang & Wu, 2010).

6.3.1.3 Food and Beverage Industry

As a traditional pillar industry in China's service sector, the food and beverage industry has boomed over the years. Its sales figures have maintained an annual growth rate of 16% over the past sixteen years (Jin et al., 2008). According to news agency Asia Pulse,

²⁹ He was the most prominent corporate leader to face charges of criminal malfeasance in China since the country began its move toward a market-based economy two decades ago

the industry is expected to maintain this rapid growth over the next five years, to eventually become China's largest industry by 2020. Statistics (SynTao, 2010) show that, on average, developed countries have one restaurant for every 268 persons. However, in China, the ratio is of approximately one restaurant for every 2,000 persons. This suggests that China's food and beverage market is far from saturated. In spite of this, the low entrance barrier and rapidly increasing number of new catering enterprises will result in fiercer and more intense competition in the industry as a whole. Thus, the food and beverage industry is considered to be one of the most competitive industries in China.

Nevertheless, there are significant risks with an emerging market of this size, complexity and relative immaturity. With the main goal, over recent years, shifting away from 'feeding the nation', the Chinese people have entered a period of comparatively well-off living standards. People have begun to demand a higher-quality of life, placing an emphasis on a more rational, healthy and well-balanced nutritional diet. Unfortunately, not enough has been done to safeguard health and safety, and it is not surprising to find out how much some companies are willing to tolerate in the name of profit maximisation. For example, a substandard Chinese pet food incident³⁰ made headlines in the US in 2007, and the Chinese milk scandal³¹ in 2008 was a recent case of food poisoning. These incidents raised the alert level of Chinese consumers and

³⁰In April 2007, dogs and cats in the US began dying at an unexpectedly high rate, prompting an investigation which determined that adulterated ingredients imported from China had contaminated the formulation of approximately 150 brands of pet food. With upwards of 70 percent of American families having one pet or more, the contamination incident caused widespread concern, heightened by the strong bond between pet-owners and their animals. Concerns were heightened when investigators discovered that the affected pet food manufacturers had sold scrap pet food to chicken and pork processors, inadvertently allowing the original contaminated product to enter the human food chain, though no humans were sickened or died from this incident.

³¹This was a food safety incident involving milk and infant formula, and other food materials and components, adulterated with melamine.

attracted the attention of the general public. Thus, social and environmental responsibility issues become important for the entire industry.

A traditional Chinese saying, 'Food is the people's Heaven', shows the importance of food in people's daily lives. It echoes with a research carried out by Dillios et al., (2009) which shows that the consumers' top three concerns regarding the CSR performance of corporations in the food and beverage industry are: product quality, environmental protection, and management integrity. The food and beverage industry is frantically trying to improve product quality, increase consumer confidence, and to get in line with international regulations in order to cash in on valuable product exports.

6.3.1.4 Construction and Property Development Industry

The construction and property development industry is characterised by the specific physical nature of its product and the unique structure of the industry and its production processes. Over recent years, China has been successful in using its land resources and the property market to promote economic growth and to raise living standards. Allied to this, the property market, now the dominant instrument of land and property allocation, has become a major driver of growth. Besides, today, the whole of China could be described as one large construction site. The industry has maintained a steady growth, at a rate of 19.5%, for the past ten years and employs 24 million people (more than 5% of the total labour force) (Daud and Zong, 2008)

In past years, the construction and property development industry was not always under the spotlight. However, research shows that the development of China's construction industry is unbalanced, and suggests that further regulations need to be put in place (Tam et al., 2004). By incorporating renewable power and energy saving measures,

sustainable development techniques, the choice of new raw materials and the consideration of community impacts, the industry has tried very hard to achieve sustainability. CSR is being adopted by a number of property developers who are taking a proactive role based on a sense of community responsibility (Heerwagen, 2000). They are improving their public profiles and community relations, through the reduction of the environmental impact, while enhancing community satisfaction and living conditions. In general, clients and contractors are deemed to be the important stakeholder groups for many construction and property development companies.

However, with an increase in the number of fatal incidents, such as the collapsed building in ShangHai, the WenChuan earthquake, etc., the reputation of businesses and especially the construction companies' work quality are constantly under scrutiny from environmental pressure groups, the media and the public, as well as from potential clients and investors. There is a rising focus on CSR performance within the industry, particularly in working procedures, sustainable development and community impact. Moreover, although the construction and property development industry is making a positive contribution to the relevant local communities by providing employment opportunities, there still are concerns regarding employee working conditions, as reports suggest that labourers, especially migrant workers are still drawing the short straw when it comes to considerations of well being.

6.3.1.5 Manufacturing

China's manufacturing industry ranks fourth in the world. Half of China's fiscal revenue is generated by this industry, which employs nearly half of the urban working population (XinHua, 2002). As China rapidly evolves into a more service-oriented economy, its manufacturing industry is going through a period that can best be

described as evolutionary. A number of manufacturers and industries in China are facing very difficult times, "Competition has grown to a point where each manufacturer has a very small piece of a huge pie"³². Compared with other industries, the manufacturing industry's corporate social responsibility has its own characteristics. The manufacturing industry employs a lot of people; this is the biggest contribution of this industry's growth. Many companies within this industry are labour-intensive, as the inevitable increase in demand for services stimulates growth in the supply of products and expands the scale of manufacturing-sector employment. Therefore, the provision of more equal employment opportunities for the community and more services and handling the relationships with staff and community have become the most important social responsibilities of many manufacturers. The manufacturing industry is a major user of intensive technology. It is also the main spreader of new technology, particularly those companies involved in technical and support services. Therefore, the improvement of environmental protection and the avoidance of environmental risks are the primary concerns of the manufacturing industry in relation to its environmental responsibility. When it comes to CSR, the manufacturing industry is one of the many to have had serious problems over the years. The relationship between CSR awareness, corporate responsible behaviour and SER practices in this industry is unbalanced. There is a big gap between the socially responsible companies and those who are not.

6.3.2 Coercive Isomorphism

When the sample organisations are considered as operating within different industrial sectors, one of the key institutional pressures identified can be seen to be exerted by a variety of regulatory institutions, such as the Stock Exchange market requirements, government laws and regulations and so forth. The interview data suggests that one of

³² According to Bradley Feuling, CEO of Shanghai-based Kong and Allan, a supply chain consulting firm.

the most significant motives for the initiation of SER practices among the sample organisations in different industrial sectors appears to be coercive pressure. Institutional theory suggests that regulatory institutions exert a certain degree of coercive pressure on an organisation's behaviour. According to Scott (1987), regulatory institutions are based on rule setting, monitoring, recompense and punishment. In this case, the surrounding context acts over the organisational practice and structure through the imposition of other structures (DiMaggio and Powell, 1983; Scott, 1987).

At the same time, the interview data reveals that all organisations operate within multiple organisational fields; therefore, each experiences a different mix and level of institutional pressures. Thus, all interviewees believe that there are some regulatory institutions that, to some extent, exert coercive pressures regarding the publication of SERs. These key words, "*government, law and the discipline of markets*" are mentioned frequently throughout the interviews, and these elements can be strongly associated with coercive isomorphism. For example, a statement made by one of the organisational participants from the energy industry reflects the existence of coercive isomorphism:

"We are trying our best to fulfil our obligations as a responsible corporate citizen, which is the concept being particularly promoted by the central government; we also comply with laws, regulations and social value standards. By that, I mean that to obey laws and regulations is one of the fundamental responsibilities that we need to take on when we operate. We have firmly established the awareness of complying with laws and regulations, to improve our management system." (Organisation E3)

A variety of institutions can circulate at a number of levels ranging from national systems to localised interactions and influence the behaviour and actions of those within organisations, as well as the rationale for that behaviour (Friedland and Alford, 1991). As discussed previously, of particular significance is the 'field' – i.e. the specific

context in which institutions influence organisational practices – this is usually recognised to be analogous to the ‘industry’ field.

6.3.2.1 Industrial regulations and standards

Industries are likely targets for government initiatives or public pressure, usually as a result of either isolated incidents or of a pattern of practices perceived to be harmful to the public interest. Any form of regulation or legislation which is directed at entire industries, such as environmental protection or labour safety, can apply strong coercive pressures for companies to behave in a socially responsible manner, regardless of whether they want to or not. Industries can and do act cohesively to promote the common interest of the organisations which operate within them (Mizruchi et al., 1986). The regulatory influence of institutions is “the product of human design [and] the outcome of purposive actions by instrumentally oriented individuals” (DiMaggio and Powell, 1991:8). For example, a liquor company operating within the food and beverage industry will sponsor media campaigns to promote responsible alcohol consumption and to prevent drunk driving.

The conducting of interviews shows that the five different industries all have their different industrial regulations and standards on corporate social and environmental responsible related issues with different levels of concerns and focus.

Since many companies in the primary sector, such as power electricity and petroleum industry ones, may be considered by many as having behaved unethically and whose products are generally regarded to be harmful; industrial associations actively participate in the process of aiming towards safe, economical, clean and sustainable energy. They have put a number of regulations in place and have promoted and advocated various CSR practices. A growing number of companies within the industry

have become aware of the need to develop responsible business operations. There are a number of organisations that have also taken the initiative to disclose their social and environmental related practices via SERs. An organisational participant expressed his perception during the interview:

“Operating in the highly sensitive energy industry is not easy; our operational practices are closely monitored by various regulations and standards. As you know, we were the first to produce SERs in China; we have been acting in line with the CSR agenda for a long time and, at the time, the task was to report this, and to do so in a way that people could easily understand”. (Organisation E1)

Despite what has been said above, the participant from organisation E1 further identified pressures on CSR issues and the encouragement to produce SERs across the industry. Other five sample companies within the same industrial sector experienced influences from industrial associations. One organisational participant asserted that:

“This sector already 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”. (Organisation E4: interviewee A).

In relation to its industrial characteristics, the energy industry is considered to be one of the industries that have the most regulatory controls over CSR, especially for environmental related issues. This is not only because of the nature of the organisations’ operation, but also of the market concentration within the energy industry.

Organisations in the financial and banking industry seem to have taken a more proactive role in regulating CSR related issues. Two key themes shown in the SER practices of the financial and banking industry have been identified by a number of organisational participants. Firstly, the industry has one of the first mandatory requirements of providing SERs in China; the Shenzhen Stock Exchange released the “Social

Responsibility Guidelines for Listed Companies” in September 2006. Listed companies are encouraged to follow its CSR mechanisms and develop CSR reports according to this guideline (Yin and Bartholdy, 2007). In the related discussion, participants from all five organisations identified the Guidelines as being one of the triggers responsible for the dramatic increase in the number of SERs over the past couple of years. However, as all these five organisations produced their first SERs when they were still a voluntary practice within the financial and banking industry, before the release of the guidelines by ShenZhen Stock Exchange in 2008, such direct coercive pressure cannot be assumed.

Secondly, the China Banking Regulatory Commission (CBRC) is an important actor, in terms of rules and regulations, within the financial and banking industry. The CBRC has always quickly and conscientiously responded to significant events, such as the 2008 Beijing Olympic Games or the WenChuan Earthquake. It has therefore taken an active role in promoting SER practices as the notion of CSR has become popular in China over the past few years. The CBRC published its first SER in 2007; by the end of the year, it issued a document outlining the ‘opinions of the China Banking Regulatory Commission on strengthening social responsibility of banking institutions’. With joint efforts from financial and banking institutions, this industrial sector has developed a significant sense of social responsibility and further improved its behaviour as a responsible corporate citizen. Moreover, the CBRC held a conference meeting with the big four Chinese national banks to promote the idea of publishing SERs. As a result, an increasing number of SERs have appeared within the industry over the past couple of years. However, the sample companies’ responses to industrial regulations and standards seem to be superficial. One of them responded thus:

“The CSR information in our first report all got pulled together at the last minute from our annual reports, company newsletter, etc. I think we did not really

understand the underlying means of doing so at the very beginning”. (Organisation BF1).

This participant further explained that, in the forthcoming years, the CRBC requires much of the CSR information to be gathered at a more specific level. In order to meet such a requirement, organisation BF1 is trying to collect more detailed CSR information, the information disclosed within its future SERs will be presented in a much more sophisticated manner. Another response to the conference meeting held by the CBRC was:

“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”. (Organisation BF3).

However, the above issue did not arise in other interviews among the three sample companies within the financial and banking industry. This may be explained by the fact that two of these organisations had already published SERs by the time the CBRC issued its document and held the conference meeting. This will be further discussed in a successive section. In addition, the general perception, among financial and banking organisations in particular, is changing. In the past, the financial and banking industry was one of the least engaged in SER practices and, on average, the issue of its first SERs occurred later than those of the energy industry, which is more environmental sensitive. One interviewee recognised the environmental related information to be more effective when presented in the reports; the hard figures especially speak volumes. In recent years, increased attention has been placed across this sector on dealing with the environment. In pursuant to the requirements of the State Council and the CBRC, financial and banking organisations have demonstrated a stronger commitment to the implementation of the green credit business philosophy³³. For example, in 2008, the

³³ Namely, to limit credit lending to high energy-consumption, high pollution industries and industries of

China Industrial Bank announced its adoption of the Equator Principles and became China's first equator bank. Other banking institutions have also actively studied the viability of adopting the Equator Principles and are committed to a full evaluation of their impact on society and the environment – when offering project financing – and to the implementation of green credit loans.

Interviews carried out in the food and beverage industry revealed inconsistencies and diversification among the sample companies. In general, companies within this industrial sector are mostly medium-small size domestic private enterprises. In a way, the industrial association has less control over them, and this will be discussed in greater detail later on. The number of CSR reporters is significantly less than those within the energy and financial industries; CSR has not yet been integrated into their business practices. The main reason for this was expressed by the organisational participants; that, many consider it an add-on list of activities. Similar responses were given when asked to interpret SER practices. Laws and regulations show very little direct control/impact on the organisations in terms of CSR related issues, although there was a dramatic increase in the number and level of regulatory institutions since the series of incidents which took place within the industry over the past few years. Organisations are now starting to act more strictly in line with the relevant legislation. However, only some organisations have adopted the SER practices on a voluntary basis. Overall, food and beverage industrial regulations and standards exert certain regulatory pressures over the organisations' operational performance. However, in terms of CSR and SER practices, relatively little regulatory coercion has been identified by sample companies. More powerful regulatory institutions are to be expected in the future.

excessive capacity and to support environmentally friendly, energy saving and emission reducing industries.

Lastly, the manufacturing and construction and property development industries have certain similarities concerning regulatory isomorphism regarding CSR and SER practices. Firstly, the sample companies in the two industries have a view of both their social and environmental responsibilities. Both industries can be socially and environmentally sensitive, the organisations that operate within them conduct a varied range of operational activities and involve large amounts of labour resources. As a result, since these industries are widely spread, many rules and regulations have been put in place to monitor organisational behaviour. For example, in the construction and property development industry, the Ministry of Construction plays a leading role in its guidance and administration. The Ministry shares the duties of regulating construction activities throughout China with the State Development Planning Commissions. They have enacted a number of laws to regulate the construction market, such as the Construction Law, the Contract Law, and the Tendering Law³⁴. Within the manufacturing industry, the industrial association places great emphasis on safeguarding the legal rights and interests of the various companies and consumers, and has established a well-founded and complete legal system, in which many laws and regulations, such as the “Labour Law” and the “Trade Union Law”, contain CSR elements and requirements. However, the level of commitments to CSR and the adaption of SER practices varies among the two industries and even among the sample companies. Some perceive more regulatory pressures than others. An organisational participant stated:

³⁴ The law covers a wide range of issues such as the qualifications for entry into the construction industry, procurement and delivery of works, construction supervision, construction safety, construction quality, legal liability, market regulations and procedures in construction projects.

“To comply with regulations and standards is the basic bottom line for our operation. We have, over the years, produced numerous examples of outstanding architecture and engineering excellence. In turn, this has collectively contributed to the remarkable social and economic transformation of our industry”.
(Organisation CPD2)

However, both industries are still in the initial stages of developing a standardised, systematic and widely participated CSR social movement.

6.3.2.2 Different stakeholder groups exert different levels of influences

Besides the regulatory power deriving from industrial standards, different stakeholder groups also exert pressure on organisations to adopt CSR and SER practices in their respective sectors. The usual stakeholder groups, such as the government, the shareholders, the customers, the employees and the community, are considered to be key players in influencing organisational practices and the decision-making process of most sample companies. However, organisations which operate in different industries have different agendas and have to deal with different stakeholder groups. As discussed in an earlier section, when dealing with different stakeholders groups, organisations may have different priorities based on their industrial characteristics. Some organisations consider their SER as something to systematically organise and present the social and environmental activities that they have participated in over the years. It is a communication tool between them and their stakeholders, especially suppliers, contractors, peer businesses and partners. For instance, organisation E6 successfully purchased a 91% shareholding in Peru Copper, which was listed in Canada. In 2007, they obtained the development permit for the Aurukun bauxite project in Australia; the top ten copper companies being their competitors at that time. An organisational participant notes:

“I think the main reason for our success in obtaining the development permit was that we are a responsible enterprise, our activities fulfill social responsibilities, and we make efforts in resource saving, environmental protection and human orientation. We have sent out the message that we will be socially and environmentally responsible to the Australian local community around the copper mine through our SERs, and I believe the SER was what they were looking for at the time”. (Organisation E6).

Some organisations in the construction and property development industry regard the community as one of the essential components of its daily organisational practices. The nature of the industry has raised the concerns of local communities, an organisational participant emphasised this:

“A lot of our projects involve both social and environmental issues, we need to be honest about these issues and take care of the local community when doing our construction projects. We would definitely be in trouble if the local’s interests were to be violated”. (Organisation CPD1)

Therefore, the reporting priorities of construction companies differ from those of other industrial sectors, reflecting their different scopes of activity.

An industrial sector which has a history of environment health and safety reporting is the energy industry. Organisations operating within it claim they have to respond to various concerns, especially those coming from the government, the industrial associations and even the general public. Government and associations have put specific regulations and standards in place to control the social and environmental related practices of energy organisations. Most of the organisational participants interviewed revealed the pressures and influences exerted from those stakeholder groups. Therefore, in responding to these, the organisations are being socially and environmentally responsible in disclosing relevant information through specific media, such as SERs, the internet and media reports. In comparison to organisations in other industries and due to their nature and structure, energy companies may have to deal with concerns from the

central government or/and industrial associations in particular. The related narratives reveal that the way organisations are subject to various regulatory pressures differs by organisational field, i.e. different organisational structures. Detailed discussions are presented in the following section.

It is, however, relatively difficult to conceive of industries acting as proactive agents in the promotion of SER practices. This is because industries are, after all, little more than the aggregation of the dominant firms which constitute them. While most major industries have some form of association-type organisation with the major firms as their members, these associations have little actual power in terms of regulating member behaviour. Even though the existence of regulatory power clearly shapes the corporate actions of the sample organisations, its implementation and its level of influence within different institutional fields may vary.

6.3.3 Mimetic Isomorphism

Today's and tomorrow's choices are shaped by the past (North, 1990: vii). Any decision made is not only socially determined, but also historically located (Simon, 1959). As the interviews carried out with sample organisations which operate within different industrial sectors reveal, in some cases, the decisions made by an organisation are hardly isolated; they are closely linked to the results and performances of previous decision-making. This is going to be explained in the following sections. Isomorphic pressures to mimic competitors and peers also appear to play an important role for all the sample companies interviewed. Organisations that are influenced by mimetic isomorphism sometimes seek meaning through their peers, the media and market activities.

6.3.3.1 Peer pressure

The reporting organisations are from five different sectors. As discussed earlier, most of them are from industrial sectors, only a few of them operate in the service sector and all of these are from the banking and financial industry. As the field, not the organisation, is the level of analysis of this PhD research study, the discussion is based on those characteristics shared by organisations within the field. According to their different industrial characteristics, the sample companies can be divided into highly-competitive and mildly-competitive sectors.

The highly-competitive sectors generally issued SERs earlier than the mildly-competitive sectors. Interview data shows that the level of attention that organisations in a sector place on SERs is related to the peer pressure they tend to receive. The more external pressure they experience, the more attention they pay to CSR and SER practices. For the most part, organisations in mildly-competitive sectors do not feel they experience excessive pressure from their peers or competitors, compared to those in highly-competitive ones. Therefore, the relationship between their practices and external mimetic pressure appears weak. This, to some degree, reflects an organisation's understanding of the concept of CSR and its attitude towards SER practices. Several interviewees who initially perceived the publication of SERs to be a trivial activity based on peer pressure, have come to believe that it has actually become important to produce such reports.

Peer pressure can be perceived in different forms. Early reporting organisations mainly experienced peer pressure from their international competitors. This was due to the very limited number of SERs issued before 2005 in China. It was the infancy stage of SER practices, when few organisations published SERs.

“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 [SERs] of BP and Shell over the past few years”. (Organisation E1)

Other interviewees felt the same way, in that they think that learning from others and from what is happening in their industrial sector is a major motive for their publication of SERs, and they tend to imitate the successful performance of their peer companies. This can be found especially in highly-competitive industries, such as the financial and banking industry. The Big Four Chinese banks published SERs simultaneously. Their performance influenced other banks and financial institutions within the industry.

“I do not feel that we were really subjected to strong pressure from the government or media. SER is an outcome of a company growing to a certain degree. 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” (Organisation BF2).

However, at the same time, one of the participants within the banking and financial industry pointed at a combination of coercive and mimetic pressures. Until the end of 2005, organisation BF2 was the only one to publish a SER. Its actions not only attracted the attention of the Big Four banks’, but also raised the awareness of the China Banking Association (CBA). The year after organisation BF2 published its first SER, the CBA itself produced a CSR report together with a specific CSR guideline for all Chinese financial institutions, which advised all banks to produce a CSR report to be submitted to the CBA by the end of June 2009 and annually thereafter (CSR guideline, CBA). The CBA’s Guideline stimulated a number of financial institutions’ intentions to produce SERs, in particular for the Big Four banks. Each of the Big Four Banks produced SERs before 2009, and a number of other financial institutions within the industry are trying

to catch up. In order to be competitive within the industry, they are trying to learn from each other. A lot of CSR activities and programs are a result of imitation, such as the green loan programme. SER practices are not an exception, as one of the organisational participants stated during the interview:

“Except for the SERs from organisation P, there were no reporting practices from any other organisation within our industry until 2007. By then, we realised 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 organisations in the industry and to learn from the best practices. Therefore, I believe that gave us the inspiration to produce our first report in 2008”.
(Organisation BF1)

Conversely, organisations in less-competitive sectors do not experience as much mimetic influence as those in highly-competitive ones. A typical situation was highlighted from the interviews carried out with the organisations from the energy industry. The Chinese energy industry is mainly dominated by a few super-sized SOEs, and the competition among them is relatively mild. During the interviews, only one of the sample energy organisations felt that, to some degree, their initiation of SER practices had been encouraged by Organisation E1, whose report had been praised by the central government. The rest of the energy sample organisations did not recognise either pressure or threat from their peers/competitors when dealing with the adoption of SER practices. Rather, the more influential factors motivating them to publish SERs seem to be the coercive isomorphism of various stakeholder groups.

However, within a particular industry, higher levels of influence are exerted by the dominant organisations than by the less dominant ones. In other words, dominant organisations may not perceive the influence of others in the same industry; however, sometimes the former unintentionally have an impact on the latter. Therefore, there is a

'learning process' involved among those organisations. An organisational participant expressed the following point during the interview:

“We have been named in one of the international Index systems, the first company from mainland China to be selected for inclusion in this prestigious index. This index having been recognised as a prime reference standard for CSR worldwide, I believe that being selected is an acknowledgement that our performance has been recognised and that our company has become one of the world leaders in sustainable development and social responsibility. Many smaller companies have realised this as well, and I have received phone calls from peer companies asking questions about producing SERs. I feel that they intend to mimic what we are doing”.

Similarly, organisation M2 has shared the same experience, the organisational participant talked about having had some consultations and attending meetings with people from other organisations, operating in the same industrial sector, who were seeking ideas and suggestions on how to produce SERs. These interview data show that a number of organisations voluntarily decide to disclose social and environmental information. Many of them did not initially know what to do with SER. However, through peer impact, organisations have realised that SER practices are a good thing and have been attracted by the early reporters' performance.

Peer pressure is not only identified by an organisation's decision to adopt SER practices, but also in the disclosures within the SERs. An organisational participant revealed this:

“Since we issued the first SER in 2006, five more major power generation companies have followed us, producing SERs in the year 2007. I will give you an example here. Throughout our report, we concentrated on four core responsibilities, which we summarised as 'the big four'. Two of the five major power generation companies have used a similar idea, even extending it to 'the big five' and 'the big nine'”. (Organisation E3).

6.3.3.2 Competitive Differentiation

Despite the different degrees of peer pressure that have been identified among sample organisations, there is an interesting finding which appears to be common to four of the five industrial sectors. With the exception of the food and beverage industry, there is a clear gap in time between the early reporting organisations and the later ones. This has attracted the researcher's attention; through investigation, one of the motivational factors identified is for organisations to seek competitive differentiation through negative mimetic pressure. Ten years ago, the record of SER practices for Chinese organisations was almost blank. It provided the opportunity to organisations that were willing to fill this blank to gain the first mover advantage. A number of organisations considered this as a chance to gain a competitive advantage over their peers/competitors. Organisations who used to compete on price and quality are now also competing more on social and environmental issues. In fact, to some extent, the adoption of SER practices shows an organisation's commitment to CSR. The responses of the four organisations in the four different industrial sectors corroborate this. When asked to discuss their opinions regarding the motivational factors behind the adoption of SER practices; they stated their belief that, on one hand, competitive differentiation can be gained through social and environmental responsibility and that, on the other hand, it can put negative mimetic pressures on other organisations within the same industry in particular. In terms of the competitive differentiation effect, some organisational participants considered this similar to the first mover advantage. When they first started to publish SERs, they were hoping that, to some extent, it would give them an advantage over others, since they were the first to do so. For example, organisation E1 attempted to adopt a systematic way to manage its environmental responsibility in order

to develop ecologically related resources and capabilities to build long-term profit potential. The organisational participant from organisation E1 commented:

“Being first is not something new for us. Over the years, we took on the leading role in many of our business activities. Through our experience, we not only received benefits but, more importantly, recognition. The adoption of SER practices naturally occurred to us”. (Organisation E1)

Another important impact of those early reporting organisations was negative mimetic pressure. Three out of the four reporters believe that being the first to adopt SER practices was a double edged sword. The competitive differentiation effect has been discussed above. The negative mimetic effect is another that may be felt by relevant organisations and, in a way, it has a similar effect to the first mover advantage. Those organisations that chose to publish SERs at an early stage could exert certain negative mimetic pressures over other organisations in their industrial sector and also over organisations on their operation chain. Although these early reporting organisations did not experience the mimetic pressure themselves, once they had gained first mover advantage by adopting SER practices, they could put pressures on related organisations. For example, the suppliers, partners or peers of those early CSR reporters may have felt that they had been left behind in dealing with CSR issues; as a result, the possibility for them to consider adopting SER practices increased. In some cases, SER serves as an important factor for business operation. For example, one organisational participant explicitly pointed out during the interview:

“We established ourselves as a responsible company, and we were one of the first to publish the report [SERs]. It then causes us to make certain demands... we have been very careful in who we are working with, we require them to be responsible and ‘green’. Like us some of them start to disclose their practices”. (Organisation CPD3)

One potential effect of this is that other organisations need to learn from the successful ones to be as competitive. It was actually considered as one of the motivational factors for adopting SER practices by the later reporters participating in this PhD research.

Although most of the organisational participants mentioned that their peers' or competitors' actions had an effect on their decision to produce SERs, there is some inconsistency. One of the organisational participants believes that mimetic pressure did not play a major role here:

“I think that, within our industrial sector, I did not feel that we were influencing our peers on this particular issue (SER). It has been three years since we produced our first SER, but we are still the only company publishing SERs in our sub-sector. So we have not yet achieved a situation where a company would suffer if it were the only one in the industry not to produce a report, thus being put under the spotlight. Specifically, from a marketing point of view, although customers want to see that you are a socially responsible company, it will hardly affect their consumption behaviour. That is why I do not believe that, just because we are issuing SERs, other companies will follow suit”. (Organisation M5).

The sample organisations' decision, especially that of the early reporters, to issue SERs had been influenced by other companies' success within their industrial sector and, in turn, their SER practices have been perceived as successful by and influenced the later/other reporting organisations. This is echoed in what DiMaggio and Powell (1983) claim; that organisations imitate those peers that appear to be more successful and legitimate.

6.3.4 Normative Isomorphism

Further to the discussion in the previous section, there is not always a clearly distinguished discriminating line between the mimetic and normative motivational pressures that, to some extent, influence an organisation's choice of publishing SERs. That is, either mimetic or normative pressures can be perceived differently in different

places, by different organisations and at different times, therefore it specifically depends on an individual organisation's perception and experience. For example, most of the organisational participants tended to associate SERs with CSR and formal educational experiences within individual industrial sectors in a way that reflected a mixture of normative and mimetic isomorphism. For some, social and environmental responsibility and SER were learnt from professionalization programs in terms of organisational practices, and thus reflected the influence of normative institutions. As Scott (1995) claims, normative isomorphism shapes both values (desirable ways of being and acting) and norms (how things should be done). In most cases, there was a more subtle interplay of normative and mimetic isomorphism at play.

6.3.4.1 Professionalization and formal education

As the industrial sector has been considered one of the organisational fields, the sample organisations can be divided into five different sectors. With differences in industrial backgrounds, operational situations and characters, organisational participants expressed different responses regarding to their sector's SER practices. The professionalization and formal education on CSR topics, including the promotion of SER practices, is one of the key responses identified through the interviews. In a way, this response is particularly common when organisations consider themselves to belong to specific industrial sectors or trade associations. These allow organisations to interact on a more efficient and frequent basis with their peers. The majority of organisational participants believe that they are more likely to perform in socially responsible ways through communication and educational programs, which are designed to promote socially responsible behaviour.

Many of these programs also affect an organisation's SER practices. In particular, the financial and banking sample organisations have a more distinct response regarding this aspect compared to organisations in other industrial sectors. The China banking association (CBA) is in charge of affairs within the financial and banking industry and the majority of the financial and banking organisations are under the CBA's control and influence. From the feedback of the sample organisations, it emerges that the banking and financial industry has extremely well organised professional training programs in which they had taken part. Through formal training and educational programs, organisations have an opportunity to learn from each other, and many issues become clearer through mutual communication. This is also considered a mimicking process among the organisations within the financial and banking industry. A positive environment has been fostered in the financial and banking industry, and certain practices have become commonly accepted and promoted among the industrial members, such as the many CSR activities and SER practices. For example, the CBA has a CSR convention each year; initially only the big Four Chinese national banks participated. However, over the past few years, the number of participants has increased to more than twenty banks and financial institutions. The scope of the convention has extended to include a number of small local banks, which have not yet adopted SER practices. Each year, the best organisation's CSR practices are always promoted in the convention. Over the years, many of these best practices have been recognised as 'normal' among many banks and financial institutions.

Organisation BF3 is one of the founding members of the Annual CSR convention, they were assisted by the CBA in sharing their valuable experiences in SER practices with other organisations. An Organisational participant from organisation BF3 explained that:

“[Because we were the first CSR reporter in the industry] 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 organisations that take part in various CSR activities. Now I think that we all want these to become a ‘good habit’ for organisations, not something they do as a one-off”. (Organisation BF3)

Although the financial and banking industry does not have the highest number of CSR reporters so far, its increase rate is very high, at least when compared to the other four industrial sectors. The professionalization and educational programme plays an important role; it makes CSR activities likely to become a unified practice, and encourages organisations to consider SER practices to be the right thing to do.

Similar responses have emerged through the interviews with sample organisations which belong to the energy industry. Its industrial association has various programs, but the most effective one is the voluntary communication between organisations. Environmental issues are a very sensitive topic for any energy organisation; therefore, many organisations are anxious about any related information. The majority of the programs involves helping organisations to deal with social impacts and improve their environmental responsibilities. Because of environmental concerns and their active participation in the industrial association’s programme, the sample companies in the energy sector have quickly absorbed the idea of adopting SER practices. However, this is only common among a number of leading organisations; SER publication has not yet become a universally accepted practice by every organisation in the energy sector. One of the organisational participants said this during the interview:

“It is important for us to be aware of what is happening in other organisations and in the industry as a whole”. (Organisation E2)

However, the sample organisations from the food and beverage, manufacturing and property development industries expressed different responses. The normative

isomorphism effect felt by the organisations within the three industrial sectors was not as strong as that perceived by the financial, banking and energy sample companies. Firstly, some sample organisations do recognise normative influences. However, the type of normative isomorphism recognised does not exist in isolation; it works on the grounds of mimetic isomorphism. For example, one of the organisational participants from organisation M4 stressed it during the interview:

“We participated in many CSR training programs over the years, one of the great lessons we have learnt is ‘learning is an endless process’. It is not only about what we do, but also how others perceive us”. (Organisation M4)

As a result, from the interview data, a mixture of mimetic and normative isomorphism can be identified when sample organisations talked about their reasons for adopting SER practices. This is reflected in the fact that most of the organisational participants associate their CSR activities with SER practices and also consider them to be ‘good business practice’. Among many organisations, the recognition of SER practices as an appropriate response to the pursuit of corporate responsible behaviour or to meet social expectations has become part of their strategic positioning. This is also being considered ‘good business practice’ in a number of organisations. At the same time, some organisational participants commented that similar organisations were engaging in this type of ‘good business practice’, and they therefore followed; illustrating the effects of mimetic pressure arising from normative institutions. As an example, an organisational participant stated:

“There were a number of organisations in our industry who started to publish their [SER] reports, it made us look at our [CSR] practices. It came to us that it was a good thing to do”. (Organisation M3)

Secondly, normative isomorphism has been perceived by a few sample organisations more on an organisational level than at the industrial level. They have their own internal

CSR events, many of them are aiming to educate their employees and to promote the notion of CSR to the next level. An organisational participant explains:

“We receive positive feedback from our employees on CSR training programs. Also I feel that we have learnt more through the process of publishing our [SER] reports”. (Organisation M4)

Not only organisation M3, but also many others have shared similar experiences within those three industrial sectors. The educational programs tend to be internal and, through such events, a common belief about CSR is shared among organisational employees. A number of organisations, especially the early reporters, have been trying to get as many employees as possible to get involved in SER practices so that they can be embedded into the organisational values.

6.3.4.2 Function of representative departments

The presence of normative isomorphism was identified among the CSR representative departments or personnel in different industrial sectors. One of the key findings is that, within each industrial sector, the CSR representative departments' across organisations are structured and function in relatively similar ways. Each sample organisation either has its own specialised CSR/SER representative department or has appointed personnel to be in charge of SER publication. Social norms, such as 'how things have been done' are shared among organisations with similar functions. For instance, the sample organisations from the food and beverage industry that were interviewed have generally appointed personnel rather than a specific department to deal with CSR issues. Commonly, this personnel works close to one of the senior members at board level. They have learnt the core concepts of their organisational CSR; such as planning annual CSR activities and producing SERs. Moreover, they have similar concerns when

dealing with CSR issues; especially when it comes to product quality and safety. There have been enough incidents within the food and beverage industry to raise the alarm among its organisations. These incidents not only affect the organisation's operation, they can even seriously damage the organisation. Therefore, the matters of product quality, operational control and relevant issues have been emphasised more. The food and beverage sample organisations' CSR personnel are engaged in many networking communication programs regarding CSR issues at the industrial level. These programs serve both as information conduits and as conduits to channel conformity pressure. When organisations are linked through such network mediated ties, they are more likely to get involved and to give more weight to pertinent issues. An organisational participant talked about these concerns during the interview:

“Many of the organisations in our industry have personnel in similar positions as mine. Sometimes, I have the feeling that most of us are facing similar challenges and doing similar stuff. As a result, it is possible to react in similar ways.”
(Organisation M1)

Moreover, this interviewee further explained that SER, at some point, has been considered as something that they share in common. Specifically, a number of organisations have released SERs in response to facing the same situation after a series of product quality incidents within the food and beverage industry. However, one exception on this issue was identified through an interview. As discussed earlier, the influence emanating from social networking connections among SER representatives from different organisations can, to some extent, potentially affect their organisational CSR and SER practices. Networking and social connections can be superficial at times; especially when they involve sensitive topics. An organisational participant said so during the interview:

“Networking is good in a way, but is sometimes limited to the basic level. Some people may just do [CSR-related] things without a deep understanding of the reasons behind it”. (Organisation E7)

To emphasise, there are two contradictory views on the function of the CSR representative department in terms of their influence over SER decision making and practices. It partially depends on the industrial sector the organisation operates within. The tighter the social networking/contact is, the more power it can exert over organisations that exist in the same organisational field.

To sum up, SER practices vary among different industrial sectors, despite some level of similarity. The interviews revealed a combination of institutional isomorphism. Besides industrial-level legislation and guidance, enterprise self-awareness and the supervision of the industrial association, there are also other important factors, such as employees and consumers strengthening their self-protection awareness, industry or employers organisations playing an active role, business partners carrying out stricter inspections and assessments and environmental organisations acting as more powerful watchdogs.

6.4 Ownership structure

The relationship between corporate ownership structure and SER practices is one of the organisational fields that emerged from the analysis of the empirical results of this PhD research study and can be explored more specifically in this instance. The SER practices of the sample companies are potentially influenced by their ownership structure or the relative proportions of shares held by different group of owners. The sample of companies fits into two broad ownership structure types: the state-owned enterprise (SOE) and the Domestic Private Enterprise (DPE). Fourteen out of 23 sample

companies are SOEs and the remaining nine are DPEs. The following discussion is mainly based on how the decision-making process of listed Chinese companies regarding SER practices is affected by their ownership structure in terms of experiencing different levels of institutional pressure.

6.4.1 Institutional Background

The two relevant types of organisation in the following analysis are large-medium size SOEs and private enterprises. A Chinese SOE is typically a firm legally owned by the state and administered either by a variety of industrial ministries within the Chinese central government or by local governments. The reform of SOEs was conducted in tandem with the market approach of the mid-late 1980s (Jefferson and Rawski, 1994). Approximately the same time, the Shanghai Municipal Government approved the first provincial-level regulation on securities in 1984. In the following years, more SOEs were “incorporated” through the sale of shares to their employees, other stock companies and SOEs. From the 1990s, with the establishment of the Shanghai Stock Exchange (SHSE), followed by the Shenzhen Stock Exchange (SZSE), the stockholding system has become a significant vehicle for the ownership reform of SOEs.

As previously mentioned, the sample consists of companies listed on either the Chinese stock exchange market or the overseas stock exchange market. At present, a typical listed Chinese SOEs has a mixed ownership structure. The state, legal persons³⁵ and domestic individual investors make up the dominant groups of stockholders, each accounting for approximately 30% of total shares outstanding (Kwan et al., 1999).

³⁵ Legal-person shares are those held by domestic legal entities and institutions such as other stock companies, state-private mixed enterprises, and non-bank financial institutions.

With the deepening of the Chinese economic reform, the private sector is booming. According to the All-China Federation of Industry and Commerce, in 2010 China's domestic private companies contributed more than 50% of its GDP and held a share of nearly two-thirds of the Chinese economy.

6.4.2 Coercive Isomorphism

6.4.2.1 Pressure from the Central Government and the County

The influence of the Chinese government and legislative bodies is recognised as having a clear effect on organisational approaches to both Corporate Social Responsibility (CSR) and SER practices. For example, article 5 in the Corporate Law stipulates that companies engaged in business operations must abide by laws and administrative provisions, respect social morals and business ethics and behave with honesty and integrity. When discussing the key factors involved in the initiation of SER practices, participants from the large SOEs in particular note having experienced a major influence from the central government. Some of the organisations have a state-run enterprise background, and many governmental concepts are already embedded in the organisations; these may influence an organisation's operational practices or its moral beliefs. It can be seen that historically, these organisations had a wider range of responsibilities when being state-run. Yet, apart from the usual contribution, they need to do more. These companies can be seen to run a variety of CSR activities addressing different areas of responsibility. For example, these organisations build schools and libraries in rural areas and roads and bridges in villages where there is a shortage of transportation. This is delivered as a package for the organisations to operate. Similar situations are also experienced by a small number of the sample SOEs. Many social responsibility projects these SOEs participate in are influenced – even insisted upon –

by the government. For instance, many of the power and petroleum companies establish their factories in small villages in rural areas. In order to run those factories; these organisations help the local community to build roads that lead to the factories for commuter purposes.

Over recent decades, the Chinese Central government has begun to address many critical social and environmental problems, which can be seen to reflect larger social tensions; the local governments and authorities also engage in dealing with these issues. For instance, targets for energy consumption reduction in relation to concerns about climate change are introduced; problems associated with urban sprawl and public transportation are addressed. However, it could be argued that, from an organisational perspective, these specific aspects of the wider sustainability agenda are premised because they fit with the government's already existing plans for the provision of services. Moreover, both the central and local governments see sustainable development as a priority for China, and they encourage sustainable development by building the legal, social human and institutional infrastructure. One of the initiatives adopted by the Chinese Central Government to tackle the previously mentioned challenges are SER practices.

CSR reporting guidelines have been published by the Chinese Ministry of Commerce (CMC) in 2006. These guidelines are based on the GRI and SA8000 reporting indicators as well as on the best practice of multinational companies. The guidelines cover corporate responsibility to society, environment and stakeholders. Corporate philanthropy is not the main content of the guidelines. The first priority of corporate responsibility is instead towards the stakeholders, including employees, suppliers, customers and the local community and so on. Environmental responsibility covers

efficiency in resource consumption, reducing discharges and promoting recycling. CSR has been seen as a “soft competitive advantage” by the Chinese Central Government (SGC, 2006-a). From analysing the empirical results, these types of pressures are exerted more on SOEs than on DPEs in general. An organisational participant made the following statement in the interview:

“I felt this guideline is more aimed at us [as a SOE]. At least, we can feel the expectations coming from the government”. (Organisation BF4)

The guidelines were discussed by a number of the SOEs during the interviews; however, they were hardly mentioned as important factors in the adoption of SER practices among the DPEs.

The SOEs that experience strong pressure from the government and local authorities are actively participating in the relevant events. They express the feeling of being considered to be pioneers in the central government’s initiatives. For example, the organisational participant from organisation E5 acknowledges making great progress in overall CSR management before the publication of their first SER. Over recent years, organisation E5 successfully carried out a CSR management pilot project³⁶ in several of its provincial branch offices, although adhering to a scientific outlook on development. For instance, one of the organisational participants who took part in the interview noted that:

“As a SOE, we were inspired by the government to participate in the pilot project, which made us realise that our CSR goals should always be aligned with our actions. Publishing SERs is a way for us to manage and to disclose our CSR activities”. (Organisation E5: interviewee B)

³⁶ According to the requirements of organisation P, the CSR management pilot project focused on eight tasks including pilot planning, mobilisation, media publicity, concept integration, staff training, specific guidelines, assessment and evaluation, and review and summary.

Organisation E1 published its first SER and the first guidelines for CSR implementation, taking a leading role in exploring overall CSR management. These achievements gained it high recognition from the central government, State-owned Assets Supervision and Administration Commission (SASAC) and Standardization Administration of the People's Republic of China (SAC), especially positive comments were received from the Chairman.

The Government's attitude towards SER practices, especially which of the leaders, plays an important role, Chairman Hu Jintao delivered a keynote speech at the Asia-Pacific Economic Cooperation (APEC) summit, emphasising CSR and the sustainable development of the world economy. At the beginning of 2008, the SASAC issued its document No. 001, entitled "CSR Guidelines for State-Owned Enterprises". These speed up the production of SERs for many SOEs. A response from one of the organisational participants:

"If the government had not approved the notion of CSR, then we would not have published our [SER] report, at least not in the early days. Therefore, for us, we certainly complied with these [No. 001 document, etc.] (see appendix 4) guidelines". (Organisation E3: interviewee C).

The discussion above indicates that pressure from the government and legislative bodies clearly influences organisational approaches to both CSR and SER in most SOEs. However, some of this coercive isomorphism is not considered to be the product of pressures or threats, but rather encouraged by a few organisational participants, such as the senior manager who had been directly involved in the process of preparing the SERs. These organisations produced their SERs before the government had officially brought forward the concerns of CSR and production of SERs through the 001 document issued by the SASAC. The organisational participant from organisation E6 pointed out:

“Our first [SER] report was published at the beginning of 2007, 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”. (Organisation E6)

On one hand, as for the SOEs, the government no longer runs the companies themselves; however, it still remains one of their most important shareholders. The government has a heavy influence on these SOEs’ organisational decision-making and practices.

On the other hand, among the nine Domestic Private Enterprises (DPEs) participating in this PhD research study, there is no evidence to suggest that the government has put pressure on them regarding SER practices. The themes of ‘shareholders, local community, and people, service, product and brand image’ are generated from typical discussions associated with the motivational factors behind their initial decision to produce SERs. Most participants place a strong emphasis on organisational values. The majority believes that the central government has less control or influence on an organisation in the private sector than in the public one. One of the key concerns raised from this is that the ownership structure affects organisations’ attitudes towards CSR. However, two participants mentioned the Central government’s influence on them in the discussion. These participants expressed how they feel the need to respond to changing government expectations, especially in recent years. Before the mid 1990s, the government wanted economic performance, GDP growth, no social and environmental compliance required. Now the government has changed its attitude and expectations. Organisations are expected to operate in a socially and environmentally responsible manner, information communication is supposed to be more transparent. Typical responses include:

“The environment and perceptions around us have changed, and now the government is taking a clear action on these [CSR] issues. We had to adapt to these influences”. (Organisation M1).

Again, both participants appeared to be convinced that the government’s influences exist; however, the intention to produce SER is not a direct result of government pressure. It may appear that the government is playing an important role here, and it does take part in a great number of CSR projects, but it takes on the role of facilitator rather than regulator. One participant believes:

“Government may be an important influence, but behind it is the public. For us, the government is only a representative of the public. Public perception is very important for our company and we are trying our best to build a positive public image”. (Organisation E4)

However, one unique situation in China is the way government officials can be appointed to positions as CEOs or directors, and vice versa, through the system of human resource establishment. Therefore, to some extent, the line between the public and private sectors can be blurred and, at times, government officials play a major role in monitoring CSR. This was raised during one interview:

“There is no clear boundary between the Chinese government and some of the SOEs in terms of social responsibility. In fact, the SOEs have shared certain social responsibilities for several decades”. (Organisation BF5).

Currently, there are approximately 20 million employees engaged in logistics in SOEs in China. Enterprises provide support and other services for employees and their family members, and enterprises share a part of the social responsibilities for the society and the nation. In recent years, China increased its efforts to reform the logistics of SOEs. However, some local SOEs have not shaken off such burdens yet.

6.4.2.2 Specific Requirements in Laws and Regulations

Laws and regulations are a further instance of the most classic examples of coercive mechanisms; they compel organisations to comply and align their practices with the dominant rule. When adopting new practices, both the existence and the absence of strong laws and regulations can become a limiting factor, indeed, it can be seen that social and environmental responsibility issues have become problematic for China's political leaders in recent years. It can be suggested that this is because the underlying concerns driving the wider sustainability agenda must be addressed by those who tend to support development and stability, which further serves as the basis for legitimacy of China's political leadership. Over the past decade, China introduced many laws and regulations to control organisations' practices related to CSR issues, such as the new Bankruptcy Law, the Environment Protection Law, the Labour Law etc. which all touch upon corporate responsibility. For example, article 5 of the Corporate Law stipulates that companies engaged in business operations must abide by laws and administrative provisions, respect social morals and business ethics and behave with honesty and integrity (Zhao, 2011). Furthermore, they shall be subject to the government and the scrutiny of the public and fulfil their social responsibilities. Although these CSR standards have some degree of binding force vis-à-vis governments, they tend more to function as a reference point for companies acting on a voluntary basis. Besides that, companies listed in the Chinese stock exchange market are required to issue annual reports to the public by the China Securities Regulatory Commission (CSRC). The legislator and the company's primary focus are still on corporate financial performance.

Although the Chinese Central Government has published several regulations aimed at improving corporate reporting and disclosure since the founding of stock exchanges at the beginning of the 1990s, most of their terms and conditions mainly concentrate on

financial, rather than social and environmental, performance. Moreover, with regard to the control of SER practices, so far there are no specific laws or regulations that require organisations to disclose social and environmental related information. CSR disclosure and the production of SERs mostly happen on a voluntary basis.

In recent years, progress has been made in the area of disclosure and reporting. In 2003, the Bulletin on Information Disclosure for Corporate Environmental Performance was issued by the State Environmental Protection Administration (SEPA). The Bulletin stipulates that non-compliant enterprises should disclose their environmental performance to the public. The local environmental protection bureau should periodically publish a list of non-complying companies to the public via the local media. Organisations have to disclose their environmental performance if they have been put on the list. From 2004, non-compliant companies must report their previous year's environmental performance information. Compliant companies are also encouraged to report their environmental performance to the public on a voluntary basis (Wong, 2009). As a result, non-compliant companies are pressed to put more effort on environmental management and reporting.

The importance of law and regulation influence was noted by several SOE participants. The concern was expressed that, in general, SOEs are more sensitive to new laws and regulations or any changes occurring within existing ones, whereas the typical DPE tends to minimise their impacts by complying with the most basic law and regulations. For example, this is stated by one SOE organisational participant:

“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 behaviours damaging the environment were spotted”. (Organisation BF4).

Participants from both SOEs and DPEs believe that it is necessary to comply with laws and regulations, and that it is important not only for the company but also its employees to voluntarily abide by national laws and regulations. Nevertheless, in relation to the specific requirements included in laws and regulations, the participants offer little clarification on how these influenced their decision to report. Rather, it could be seen that SERs may have ultimately been initiated because the benefits of compliance outweighed those of non-compliance. This observation resonates with the point made by Scott (1995), by which regulatory institutions tend to elicit relatively superficial responses that demonstrate compliance; yet this does not necessarily mean full acknowledgement of the underlying rationale for what is considered desirable activity (Jennings and Zanderbergen, 1995).

6.4.2.3 Social Pressures Exerted by Powerful Stakeholders

As mentioned above, regulatory pressure could be exercised on organisations in forms other than the state and laws. The majority of participants expressed that direct imposition also occurs beyond the scope of the state and the legal system. As Pfeffer and Salancik (1978) argue that an organisation needs to satisfy the requirements of various partners. Partners can also be recognised as relevant stakeholder groups that become key institutions. A stakeholder is “any group or individual who can affect, or is affected by, the achievement of a corporation’s purpose” (Freeman and McVea, 1984:25). Stakeholder groups range from government, to suppliers and individual customers. However, this is not comprehensive as, in principle, the organisation itself can determine who is a stakeholder and on what basis. In this case, all organisational

participants mentioned their actions and responses to their stakeholders in terms of fulfilling social responsibilities and reporting.

Today, stakeholders in China pay more and more attention to a company's social and environmental performance. As it may possibly relate to corporate financial performance, investors and institutional investment analysts need social and environmental information to evaluate an organisation's overall performance and risks. Government needs information to evaluate the implementation of its environmental policies and regulations. There are also concerns from NGOs and consumers about environmental issues and product quality. As a result of the abovementioned influential factors, organisations tend to provide social and environmental disclosures in response to the needs from different stakeholder groups.

However, one of the most significant differences found is that many SOEs recognise the government as their biggest stakeholder; whereas, for private companies, important stakeholder groups may vary. Private companies agree that one of their most basic responsibilities is to take their shareholders' interests into account. The twelve DPEs from the sample pool all produce stand-alone SERs; however, the idea of initiating the reporting practice has little to do with direct pressure from the shareholders. In other words, the shareholder is not very actively involved in the initiation stage. Nevertheless, the idea was discussed with key shareholders or the board of directors, and they reached a mutual agreement. Moreover, the powerful stakeholders, such as the shareholders of some private companies, might represent an obstacle in the process of adopting SER practices. A key concern here is 'the poor quality of some private entrepreneurs':

“[Some private companies] primarily focus on shareholder profits maximisation. They are 'quite good' at playing the game of 'hide-and-seek' on sensitive issues.

That is why they do not publish SERs, since it is such a costly activity overall”.
(Organisation FB1)

The above quotation raises a particular issue among the many that were discussed by the organisational participants. It suggests one of the possible reasons for the absence of SERs among the majority of private companies in China. This is a very important issue pertaining to this field and adds insights to the core research question of this PhD research study. Besides the government and shareholders, the organisation participants also mentioned a variety of other stakeholder groups who influence SER decision making. With regard to stakeholders' impact, besides what has been discussed above, there are not many differences between organisations with different ownership structures, such as SOEs and DPEs. However, the sample companies further discussed the importance of stakeholders' influence in association with other institutional factors such as the geographical location they operate in. These will be discussed in later sections.

6.4.3 Mimetic isomorphism

Many academics, NGOs, and people in general have argued in favour of making the corporate reporting of social and environmental impacts mandatory (Hess and Dunfee, 2007; O'Dwyer *et al.*, 2005). In recent years, the Chinese government has put specific laws and regulations in place for a mandatory-type of CSR/SER requirement. However, as was discussed in the previous section, only a small part of the coercive pressure that the sample organisations perceive is actually coming from the mandatory requirements. What is more, despite the differences in ownership structure, the sample organisations are, to some extent, trying to mimic each other in terms of their involvement in CSR activities and the production of SERs. One of the key themes retained from the

interview data was that the interviewees from SOEs discussed mimetic issues in more depth than those from DPEs. Amongst the many aspects of mimetic isomorphism, three key issues have been identified; these will be examined in detail below.

6.4.3.1 Peer pressure

As discussed in the earlier institutional background section, in the business operation of many SOEs there are some elements of governmental influence and involvement; some of those organisations were even state-run enterprises in the past. Given these differences in their ownership structures, a typical SOE has relatively more governmental influence and control than a DPE has. However, while the government is an important factor in terms of influencing organisations' CSR/SER decisions, there are other factors combining on this issue. Peer influence has been identified as one of the key motivational factors by the majority of organisational participants from both the sample SOEs and DPEs; although the influential power of peer pressure has been perceived at different levels and to different extents. Despite many other differences (especially differences in industrial nature), traditionally, SOEs and DPEs have relatively similar operational approaches, organisational priorities and so on. This issue has been reported by several interviewees from both sample SOEs and DPEs. Firstly, the responsible tradition of the state-run enterprises is imprinted on most SOEs. The definition of responsible tradition here does not merely refer to the triple-bottom lines, but also includes a wide variety of duties. Under close governmental supervision, apart from the normal routine of running a company, those organisations were asked to take on extra responsibilities, which involved taking care of their employees, building up the local communities and more. Over the years, a pattern formed; those 'extra' responsibilities became an integrated part of many state-run enterprises' operational processes.

In the last couple of decades, the rapid changes in corporate ownership structures has resulted in the disappearance of state-run enterprises, and an increase in SOEs and DPEs. Due to the differences in ownership structures, there are a number of clear differences in many organisational aspects. Again, the empirical results show a more subtle interplay between the mimetic and normative institutions at play. Following the state-run enterprises' tradition, the SOEs especially tend to associate with each other. The tighter the alliance between them, the more likely they are to influence/pressure each other.

For example, in the past, the state-run enterprises were given many specific targets (e.g. the employment rate, the number of schools/clinics/roads they should build each year) related to social responsibility. They used to compete with each other and try to do their best to reach these targets. Nowadays, when mandatory targets usually no longer exist but organisations still try to do their best, the likelihood of competition occurring between them is quite high. Organisational values are somewhat similar among many of them, and anything new that is adopted by one SOE is very likely to be discovered and mimicked by others. For example, years ago, only a couple of SOEs were supporting a charity programme called "The Hope Project", these organisations used to give regular donations to a number of different 'Hope Schools'. This quickly attracted the attention of many relevant parties, the media, the NGOs and the general public and also their peers. As many other SOEs perceived this as something being done by state-owned organisations, they felt that they needed to be at least doing the same, if not better. Soon after, helping "The Hope Project" was incorporated in the practices of many SOEs. Today, it is very hard to find an SOE that has not, at some stage, supported "The Hope Project". What is more, the majority of them not only regularly donate to "The Hope School"; they have also developed many related projects to aid "The Hope Project". Organisation BF2 encourages its employees to take part in the volunteering programme;

they have been organised into groups to go to the local “Hope School” once a month to talk to the students and the teachers and to see for themselves what the school needs that they can help with.

The same situation has emerged in the process of adopting SER practices. Previously, the SOEs represented the majority of social and environmental reporters; none of the DPEs were among those early reporting organisations. It all started with the initiation of SER practices by a few SOEs’, the related reports were then prepared and published. During the interviews that were carried out with the SOEs, ‘peer’ was one of the most frequently used words; they tended to place themselves into the larger community of SOEs, and label this community ‘state-owned’. However, despite the point made above, for all the SOEs, the direct influence exerted by its SOE peers was less compared to that emanating from its industrial peers/competitors. What existing peer pressure there was between SOEs was described as ‘healthy encouragement’:

“We are one of the largest natural energy organisations 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 like us.” (Organisation E5)

The organisational participants from the organisation above went on to explain the situation as it was when they first initiated SER practices. As a typical SOE, their organisation is closely allied with other SOEs (not necessarily located the same industry or geographical zone). Being part of a group keeps them well-informed. When the earliest SERs came out, they were inspired by the idea of publishing the reports. This was one of the most important motivational factors highlighted by the organisational interviewees.

On the other hand, such a close alliance is hardly to be found among Domestic Private Enterprises (DPEs) in terms of motivating the initiation of SER practices. There is a very limited number of associations that organise DPEs together; those that participated in this PhD study have very little mutual influence. A number of organisational participants offered their own opinions regarding the performance of their peers, but none of them recognised it as a direct influence on their decision-making towards the initiation of SER practices. One of the organisational participants from organisation M1 said that:

“As a private company, we are indeed receiving more and more attention, especially in recent years. But I do not feel that there is the same level of attention among us [DPEs]”. (Organisation M1)

Most of the DPEs in this PhD research study broadly share certain similar characteristics, such as the structure of their stakeholder groups, their business orientation and so on. However, with reference to the earlier discussion about the issues relating to the production of SERs, very little peer pressure regarding their ownership structure was identified among the organisational participants from DPEs.

6.4.3.2 Strategic Positioning

In addition to the peer mimetic pressure which was revealed by the organisational participants, sample organisations were mimicking each other under different circumstances and in different ways. One of the key themes identified by some of both the SOEs and DPEs is that the decision to produce SERs is connected to their strategic positioning and, in this respect, is somewhat influenced by their peers. From a general point of view, the SOEs are in a position to influence each other and other parties. A number of SOEs adopted SER practices as part of their business strategic positioning

plan. Traditionally, compared to DPEs, SOEs seem to be in many ways more concerned about their strategic positioning, from marketing segmentation to operational techniques.

In recent years, SERs have been considered as a good means for strategic positioning and have been adopted by many organisations. This may be considered to reflect an organisation's reputation, or a tool used in risk management, or possibly a technique used in internal organisational practice control. In particular, a number of large SOEs have taken into account the extent of their influence on others and the even greater or more significant extent of the influence that others have had on them. These organisations tend to posit themselves as being the leading companies in the national context or in line with the top companies in the international one. Among the first things any organisation must adopt when it considers itself to have reached the top are all the qualities that can be found in its peers/competitors. Evidently, a number of organisational participants that were interviewed in this PhD research study have drawn on this key theme. In particular, it has been commonly found among the sample SOEs. There were also two similar responses given by organisational participants from the sample DPEs:

“We are always trying to do our best in so many different ways, publishing SERs is something that has been adopted by several top/leading organisations. As we have been trying so hard, over the years, to establish ourselves as the best nationally and internationally, I do not see why we could not do it [publishing SERs]”. (Organisation M2)

“The idea of disclosing information on what we have been doing about social and environmental related activities/events over the years fits perfectly with our business mission and strategic positioning planning”. (Organisation BF5)

As can be gathered from the responses of these organisational participants, strategic positioning seems to be recognised as one of the key motivational factors that triggered

a number of organisations to adopt SER practices voluntarily. However, the strategic positioning responses varied among the sample organisations. Some of them were influenced by their peers/competitors, while others saw this as an opportunity to promote themselves. Moreover, as mentioned earlier, the responses received from SOEs and DPEs were not very consistent. The SOEs were far more concerned with their strategic positioning than the DPEs: those who did not raise this issue or any other related to it were still commenting on SER practices from other points of view. There were organisations which thought that SER practices should be only adopted when the capability/extra resources to do so were available. Some claimed that mimicking was certainly not the only way to promote themselves or survive in the business.

6.4.3.3 SOEs confronted with heavy social expectations

Having taken the different ownership structure aspect into account, another key theme raised in the interviews was found mainly among the SOEs: the organisational participants from the SOEs find that important social expectations of various parties place pressure/motivation on them to behave in a socially and environmentally responsible manner. The SOEs claim that it is especially hard for them to maintain their reputation/image. Over the years, the expectations of the government, the local community, the general public and other relevant parties have increased and organisations are more likely to be exposed, especially when things go wrong. At the same time, they are more likely to be exposed than had been the case in the past. Communication has improved so much that information and situations can no longer be kept discreet and separate. Pressures are not merely perceived by any one organisation, but rather by a number of them spanning a wide range. This issue has commonly been

found among organisations that operate within the same industrial sector (as has been discussed already in the earlier section). It has also been found among organisations that have different ownership structures. When talking about the expectations, influence or pressure that the sample organisations experience, a number of the organisational participants expressed similar opinions. They sometimes feel that, as their organisations are labelled as ‘the SOEs’, they should be more responsible in terms of social and environmental issues. During the interview, an organisational participant said:

“People expect us to do more; they believe that the so-called State-owned [enterprises] should have the ability and resources to take on more of those [social and environmental] responsibilities”. (Organisation CPD2)

This key issue has been identified as a general situation that can be found among most SOEs; their characteristic ownership structure results in higher expectations by most of their stakeholders. In the reflected opinions gathered during the interviews that were carried out with the sample SOEs, there was a large percentage of organisational participants who believe that SER was a good way to deal with high expectations/pressure. They claimed that, regardless of the efforts they make in acting in a socially and environmentally responsible manner, they need to reveal such practices and disclose relevant achievements. Publishing SERs helps organisations to move forward. It started among a few organisations at the beginning, then it spread fast among other organisations, SOEs in particular. The majority of the interviews carried out with the sample SOEs revealed that they are confronting heavy social and environmental expectations, whereas the interviews carried out with the DPEs reflected similar tensions existing among them, but of a different nature. One of the typical responses given was that, although different to the heavy social and environmental expectations usually placed on the SOEs, expectations are also placed on the DPEs; to be more precise, failing to meet these expectations may result in negative perceptions of

the DPEs. The organisational participants pointed out that they had been receiving negative comments, especially in terms of social and environmental responsibilities: one of the main comments was that privatised companies had fewer responsibilities or were less willing to behave in an ethical way. The public, especially those who do not have much knowledge about the individual DPEs, assume that the typical DPE puts more emphasis on profit-making as its ultimate goal, and therefore it would allow anything to achieve that goal. Another comment was that, compared to the SOEs, the DPEs are less influenced by the government, which gives the impression of them being in some way less regulated organisations. One of the organisational participants expressed his opinion:

“In terms of dealing with those [negative] issues, which include misunderstandings, misperceptions and so on, we have tried our best to prove ourselves by participating in/organizing many CSR events over the years. But it had reached the point where we realised that we needed to send out a message. Doing things in silence just did not work anymore. That’s when we thought about publishing SERs. Well, I think it worked for a number of the SOEs, so it might work for us too.” (Organisation E5)

The diffusion of the publication of SERs among SOEs also made significant impact on a number of DPEs. Although much more needs to be done to deal with social and environmental responsibility issues, publishing SERs is a good starting point.

While this mimicking isomorphism has been identified through interviews carried out with both SOEs and DPEs, other key motivational factors were discussed with the organisational participants. These key factors are more linked to normative behaviour rather than mimetic behaviour.

6.4.4 Normative Isomorphism

6.4.4.1 CSR is the right thing to do

The concept of Corporate Social Responsibility (CSR) was not always popular in the past; it was brought to the general public's and organisations' attention only during the past couple of decades. Over this time, the idea of CSR has spread among many Chinese organisations faster than expected. Organisations started to link their activities to the concept of CSR. While some of the organisations still find it to be a novel concept, many others no longer consider it as something new. The following discussion further clarifies this point.

When looking into the background information (see details in Chapter Three and earlier sections) of typical SOEs, it can be easily pointed out that these organisations do not operate in isolation, but rather they have a great deal of connection with their stakeholders – government, investors, local communities and so on. With the shared similarities in their ownership structures, many SOEs find themselves in the same position when dealing with social and environmental issues. The interviews carried out among the SOEs revealed similarities in the nature of their attitude towards social and environmental responsibility. All organisational participants pointed at CSR as being the right thing to do and a majority of them also claimed that there are more elements that need to be taken into account when striving to behave in a social and environmental responsible way. One of the new things that has come along is the concept of 'putting actions into words': besides believing in the idea that CSR is part of doing the right thing, organisations have also discovered the need to disclose their actions to others. One of the organisational participants said this during the interview:

“As a SOE, we have been taught, especially by the government, that we need to be responsible in many ways. We believe that CSR is the right thing

to do, and have always acted accordingly. But in recent years, as we realised that CSR was becoming part of doing the right thing, we felt that letting others know [by disclosing information in the SERs] was also the right thing to do for us". (Organisation BF5)

Moving forward from the adoption of CSR behaviour, organisations are disclosing the things they are doing regarding social and environmental issues, mainly through stand-alone reports. This was more commonly found among SOEs than DPEs, the former having become aware earlier than the latter. One of the key things that most SOE organisational participants referred to was the specificity of their ownership structure and, more to the point, the involvement of government/government bodies. A similar key theme was found among the DPEs, as they also consider CSR to be the right thing to do; however, when referring to the disclosure of CSR-related information, there was not a strong link between it and the idea of doing the right thing. Private companies are different in nature from state-owned organisations: they may have the same level of concerns regarding social and environmental responsible practices, but they were not subjected to the same influence towards disclosure in the past. As was seen among the interviews carried out with the DPEs, the idea of adopting SER practices is not a very regulated activity. There are no normative institutions exerting pressures on the DPEs to adopt SER practices. An organisational participant commented during the interview:

"We definitely have a duty to be responsible for our actions, and behaving in a socially responsible way is the right thing to do... but that does not mean we need to say it out loud. Disclosing this [CSR] information is probably the necessary, rather than the right, thing to do". (Organisation FB2)

6.4.4.2 Different level of commitment

Further to the above discussion, although both the sample SOEs and DPEs feel that CSR is the right thing to do and a number of the SOEs believe that disclosing

information about their performance is also the right thing to do, there are different levels of commitment between SOEs and DPEs which were identified through the interviews. Over the years, many SOEs made commitments while they were participating in socially- and environmentally-related activities. These commitments may have simply started as a government-enterprise relationship, the connection between an enterprise and its consumer group or they could have been part of an obligation taken by an enterprise towards its local community. These one or two simple commitments have then evolved over the years until, today, the range of commitments varies while there are more relevant parties included in each of them. Some of the commitments which were made deliberately at the beginning, are now made unconsciously, especially among the SOEs; the organisations commit themselves relatively unconsciously in ways that are ‘normal,’ which ‘fit in’ with the others and which appear to be the most ‘appropriate’ choice to make within the context/background in which they operate. The reason for the different levels of commitment between SOEs and DPEs is that the latter encounter more obstacles when making CSR-related commitments. Usually a privatised organisation cannot freely put extra resources into making a CSR commitment; they may just have the spare resources to participate in any emergency event which may come up. However, in general, devotion to a CSR commitment is not something which is commonly found among the DPEs, and many of their activities are short-term in nature compared to the ones anticipated by SOEs. An organisational participant pointed out this issue during the interview:

“We do not have the luxury [financial and human resources] to do all the things [social and environmental responsible activities] we want to do. Therefore, we cannot make commitments that we may not be able to deliver. There is a careful selection of those social and environmental related programmes which can be a bonus to us rather than a burden [...] we are

trying to do as much as we can to make these programmes regular features”.
(Organisation M3)

While DPEs focus on working with their CSR commitment issues, many SOEs have established their commitments with a variety of stakeholder groups. Through this process, a number of sample SOEs have encountered the need to disclose information through different media, such as newsletters or stand-alone SERs. As claimed by many organisational participants, this is one way to maintain their commitments with the other parties. To some sample organisations, the disclosure itself is a way of making a commitment, in which organisations believe that stakeholder groups have a right to such information. A response from organisation CPD3:

“Years ago, when we first started doing CSR activities, we didn’t realise that much of these behaviours would stay and become part of who we are. It made more sense, under the circumstances, to take it one step [publish SERs] further”. (Organisation CPD3)

A common situation specific to the SOEs is that disclosure is an effective way to communicate with governmental bodies. As one of the organisational participants said:

“Government [governmental bodies] is really pleased to see our [CSR] reports. Personally I think they [SERs] make a difference, it is a formal and systematic instrument for others to understand what we are doing, and it is the right way to do it”. (Organisation BF3)

The undertaking of social and environmental responsible commitments can be found in both SOEs and DPEs. However, the different commitment level has resulted in a difference in disclosure activities, where SOE reporters tend to out-number DPE reporters. Besides the factors mentioned, the normative environment, especially training and educational influences, also motivates organisations to report.

6.4.4.3 CSR training programs

Today, it is ever more common for enterprises to organise their own CSR-related training programmes or to participate in programmes organised by others. Normally, the government is in charge of training and educational programmes to stimulate organisation participation. Although these programmes are not laws and regulations that organisations must comply with, they are used to establish standards to influence organisational behaviour. However, this key theme is more associated with normative structures than with organisational practices. Organisations design programmes to train and educate their own employees on the concept of CSR and the socially- and environmentally-related activities that they undertake. Besides the informal learning process, in many organisations, employees have the opportunity to participate in numerous CSR events. From their early acceptance of the concept to almost taking the related behaviours for granted, organisations themselves have learnt a lot. Many organisations, especially State-owned ones, have started to publish SERs and see this as part of their CSR activities. A number of the early reporters tried to do so in a way that would get more people involved. One organisational participant said in the interview that:

“CSR should not be one person’s mission, nor is the reporting [publishing SERs], we are trying to get people from different departments to participate, and I already can see that we are learning from each other; this is sometimes done unconsciously”. (Organisation BF4)

The DPEs gave somewhat different responses. Most of them place less emphasis on the normative structure, where they claim CSR training programmes to be something to which they did not pay much attention in the past, but that they are considering putting more effort into. However, these shared/common social values have not yet been fully

adopted by many DPEs, they have only just started to manage their CSR-related activities in a more systematic way through social and environmental disclosures. One of the organisational participants expressed his opinion:

“I have to admit that we understand that, sometimes, CSR activities cannot be measured like our sales targets, it can be something that you may not even be able to see. Indeed, I have managed to make them part of our organisational values through the education of the entire company. We have a couple of programmes in place, but we just do not have the resources to carry out all those fancy training programmes yet”. (Organisation M1)

6.5 Geographical Locations

During the interviews, organisational participants identified various kinds of pressures in terms of the social and environmental implications of their SER practice choices. By going through the interview data, many of these could be categorised in the coercive, mimetic and normative isomorphic forms discussed in earlier sections. The data shows that different organisational fields have significant influence on organisational behaviours and practices; specifically, with regard to the choice of initiating SER practices made by those sample Chinese organisations, geographical location was identified as one of the key organisational fields. In fact, it is the organisational participants' contention that an organisation's involvement and dependence on a particular community or/and community stakeholder may vary depending on the geographical location it operates within. In turn, such varying involvement and dependence may result in diverging levels of power and ability, within this organisational field, to influence any particular organisation within it. The geographical organisational field not only includes different geographic communities but community groups organised around a political or social cause or interest. These may include local

governmental organisations or market associations, which, in some cases, can influence the public perception in favour of or against an organisation's performance in terms of social and environmental responsibilities – and are especially likely to do so when such performance influences their welfare. Therefore, they may potentially pressure organisations to improve their CSR practices in various ways.

6.5.1 Institutional background

Before presenting the detailed discussion of how different geographical location factors may influence the sample organisations' adoption of SER practices, the institutional background information on the five major locations is provided below. Although each geographical location has its own characteristics, there are similarities between them. Events such as the 2008 Olympic Games in Beijing and the 2010 Shanghai Expo have raised the alert levels of environmental protection in the country. The government fulfilled its vow to keep the two international events in Beijing and Shanghai green; environmental protection projects and the necessary renovation took place in firms across various sectors in these two cities. Moreover, the Yangtze River Delta, Pearl River Delta and the outer Beijing (Tianjin-Hebei) region were identified as three "key air polluting areas". Organisations operating within these three regions might have more concerns on environmental issues.

6.5.1.1 Beijing (the Capital)

Beijing has a long history of being the capital of China; it has long been under the strict control of the Central Government. Over the years, Beijing has taken the fast track to development; especially when everything was gearing up for the 2008 Olympics, China

entered into a new era in political, social and economic terms. Particularly, Beijing is rapidly becoming the modern city it has always longed to be; this not only in terms of its natural, but also its social, environment. More and more multinational enterprises are setting up their subsidiaries in Beijing; and it is common to see Chinese national companies having their headquarters in Beijing. Beijing has also attracted a lot of foreign direct investment in recent years. As China comes into line with the World Trade Organisation regulations, its economy appears to become more tightly controlled, especially for those operating in Beijing, which is China's political, economical and cultural centre. Beijing and ShangHai (see discussion in the next section) are two of the most active regions involved in promoting the notion of CSR and related activities. More than 30 retailers in Beijing have started a campaign to promote energy-conservation and green products. This event was associated with the 14th Business Technology Week. According to the Beijing Municipal Business Commission, during this event, Beijing's retailers focused on promoting energy-saving electronics products and organic food. On the other hand, Beijing has its unique characteristics. It has been considered as one of the typical cities to undertake sustainable development. It persists in the sustainable utilisation of resources and environment, promotes the coordinated development of the economy, society and environment, and coordinates the sustainable development of its member companies and society. As the capital of China, Beijing appears to be privileged in terms of its environmental situation. The Beijing environmental protection bureau has strict rules and standards for regulating environmental issues, such as pollution levels and industrial emissions. Most environmentally sensitive factories have been moved out of Beijing, especially steel-related organisations. As a result of enterprise restructuring and for the Beijing Olympics, for example, the ShouGang steel plant was shut down and moved out of

Beijing to create a cleaner environment. Moreover, Beijing has the highest number of SER reporters among the regions of China; various CSR-related events take place there. For instance, more than 160 organisations attended the second CSR reporting International seminar, held in Beijing in 2009 by the China WTO Tribune and its partners. One of the key goals of the conference was to raise awareness on the latest trends in CSR reporting, discuss the regulatory environment and best practices for reporting and CSR in general.

6.5.1.2 Yangtze River Delta (YRD) economic zone

The YRD was originally one of the fast growing economic regions in China, including the Shanghai municipality and the Zhejiang and Jiangsu provinces. The region takes up to 20 percent of China's Gross Domestic Product (GDP) and accounts for more than 30 percent of its exports and imports. The YRD is dominated by Shanghai, China's financial centre. The YRD region is considered to be an economic powerhouse and a solid foreign investment destination. Shanghai dominates the financial, banking and logistics industry and, with Zhejiang and Jiangsu being important manufacturing bases, this region features several international airports and shipping centres. Many companies have open opportunities to attract Foreign Direct Investment (FDI) and work with overseas partners. Organisations in this region have the common ability to absorb new ideas and advanced technologies from their competitor or partners, especially those from developed countries. In Shanghai alone there are more than 200 foreign research and development centres. In addition, this openness is part of the YRD regional culture; Shanghai was once known as the Paris of the East. The notion of CSR was quickly accepted in the region, a few organisations then became leaders in promoting CSR and SER practices within the delta and even in China as a whole. Due to the unique

geographical characteristics of the region, the development pattern is shifting and becoming service-oriented, resulting in the tertiary industry accounting for over half of the region's GDP. At the same time, the YRD is also focused on heavy industry, such as chemicals, machinery and metal products. Moreover, in recent years, the YRD has caught up with and outperformed the Pearl River Delta (PRD), due to the growing number of medium-small size enterprises operating in the private sector. The private sector of the YRD is the most developed in China, many indigenous domestic private enterprises in the YRD have developed strong brand names in their specialised area and have become market leaders in their industry. However, one of the key concerns here is that some small enterprises may lack the technology, money or initiative to think about clearing up the pollution they create. Others may set their sights on profits alone. Despite the fast growth in the region, intensifying competition and development have been the cause of many acute problems, such as social conflicts and environmental pollution in the delta (Xu et al., 2011). The local governments and authorities have an obligation to counter the negative effects in order to maintain the region's sustainable growth.

6.5.1.3 Pearl River Delta (PRD) Economic Zone

The PRD economic zone is situated along the southern coast of China, also known as the Golden Delta of Guangdong. The region includes two of the Special Economic Zones (SEZs)³⁷ – Shenzhen and Zhuhai. In fact, since the start of China's economic reform process in 1979, the PRD economic zone has enjoyed the priority for less

³⁷ Preferential policies in the SEZs include a number of features designed to attract foreign investment, such as a 15 percent tax rate, tax holidays of up to five years, and the ability to repatriate corporate profits and capital investments after a contracted period. They also include the duty free treatment of imports of raw materials and intermediate goods destined for exported products, as well as exemption from export taxes.

restrictive political and economic policies which has allowed a market-oriented culture to develop within the PRD earlier than in other regions of China. Following Deng XiaoPing's utterance in Guangdong and the promoting of an open-up policy, extolling the virtues of being rich, the PRD economic zone, which was once largely agricultural, has emerged as the most economically dynamic region in China. The Guangdong province was then granted expanded powers to set its own directions in economic development. This gave rise to the foundation of the Shenzhen Stock Exchange, as well as to the development of a land lease system and to the privatisation of many previously state-owned enterprises. Similar to the YRD economic zone, the PRD region has been boosted to become a centre for advanced manufacturing and modern service industries and for international import and export shipping and logistics. Since the 1980s, the PRD has shown a dramatic growth, the average GDP figure exceeding 16%³⁸. In recent years, the development environment for indigenous privately-owned enterprises has improved dramatically in the Pearl River Delta Economic Zone and local firms are now playing an ever-growing role in the region's economy. Moreover, due to its unique geographical characteristics, the cities in the PRD region, such as Shenzhen and Guangzhou, are among the most affluent in the Chinese Mainland. Close links to Hong Kong mean that Pearl River Delta region consumers have adopted international tastes earlier than most places in China, making the region one of the trend setters in China. Despite all the glories of the economic development taking place, the PRD region has problems of its own. The heavy investment in manufacturing and export processing brought the region high economic growth along with continuous pressures related to population increase, resources and environmental aspects. In 2008, the Central Government introduced new

³⁸ The national GDP figure for the same period is 9.8%.

labour and environmental laws and new regulations relating to pollution reduction, industrial disputes, safer working conditions and environmental protection.

6.5.1.4 Central Plain (CP) China

Central Plain China covers the central regions such as the Henan, Hebei, Shanxi and Shandong provinces. Since the beginning of recorded history, the CP region has been an important area of reference for the Chinese civilisation. The area has been long associated with traditional Chinese culture. However, in this PhD research study, the investigation carried out in Central Plain China was limited to Henan based organisations. Henan is the most populous Chinese province, and is a major economy, ranking 5th in terms of GDP³⁹ within China. Many organisations in this region tend to be labour-intensive. Due to its regional geographical features, Henan, on one hand, is an agricultural province – the leading region in wheat and sesame production and prominent in agricultural related industries, such as the food and beverage industry – on the other hand, it features several important centres of coal production. However, similar to many other inland regions, Henan, economically, lags behind the coastal regions, such as the YRD and PRD. Henan has actively been trying to build an open economy over the years. At the same time, the Henan province is trying to deal with its social and environmental issues. For example, the local government is taking the initiative on the sustainable development of its aluminium industry by providing the necessary support for resource allocation, energy supply, development plans and policies needed to make Henan a globally competitive base for aluminium production.

³⁹ After Guangdong, Jiangsu, Shandong and Zhejiang.

6.5.1.5 Hong Kong

Hong Kong is one of the two⁴⁰ special administrative regions (SARs) in China, situated on China's south coast, closely linked to the Guangdong province and the PRD economic zone. Hong Kong is frequently considered as the place where "East meets West", reflecting the cultural mix of the territory's Chinese roots with the culture brought to it during its time as a British colony. Since 1997, Hong Kong has been governed under the "one country, two systems" policy, it enjoys a high degree of autonomy in most areas⁴¹. Hong Kong is one of the world's leading financial centres, with a highly developed capitalist economy. Like the YRD and PRD regions, Hong Kong also has its Stock Exchange market, which ranks the sixth largest in the world. Foreign trading, market forces and the private sector are especially advanced in the region. The integration between the Hong Kong SAR and mainland China is growing over the years. Nearby cities in the Guangdong province provide investment opportunities for Hong Kong entrepreneurs; benefits include a cheaper cost of labour and cheaper expenses associated with running a factory. However, there are side-effects to its overwhelmingly positive economic growth. Hong Kong is facing some daunting social and environmental challenges. Primary among these is Hong Kong's poor air quality. Local authorities, such as the Environmental Protection Department, are promoting various CSR concepts in Hong Kong and the companies and communities have taken to the idea with some enthusiasm⁴².

⁴⁰ The other is Macau

⁴¹ Except for defence and foreign affairs

⁴² Recycling bins for a variety waste, once a rarity, can now be found all over the city; retailers have voluntarily instituted "no plastic bag days".

6.5.2 Coercive isomorphism

6.5.2.1 Central Government VS. Local Government

The role of the central government acting as one of the CSR and SER practice drivers was discussed in the previous section. Those interviews carried out among the Chinese SOEs especially show that the central government may well be able to act as a sizable and important influential factor in the decision making process for organisations to adopt SER practices. However, local governmental power cannot be underestimated, as it sometimes exerts more influential power over local organisations than the central government. For example, according to the Environmental protection Law published in 1989, enterprises and institutions discharging pollutants must report to the local government in accordance with the provisions of the competent department of the Environmental Protection Administration under the State Council (SEPA, 2006-a). At the same time, Article 11 stipulates that the competent departments of the Environmental Protection Administration under State Council and the governments of provinces, autonomous regions and municipalities under the Central Government shall issue bulletins on the environmental situation to the public.⁴³ Furthermore, the Waste Water Pollution Act, Article 4, states that all enterprises should report to the competent local environment protection agencies with the detailed information about their discharge of pollutants. If it exceeds local standards, the enterprise must identify the reason and assure a deadline to deal with them (SEPA, n.d.-c). The following discussion mainly involves the influences of province-level and local governments and authorities' on SER practices as expressed by the organisational participants.

⁴³ The Environmental Protection Law was promulgated by the State Council on 26th December 1989 and went into effect on the same date. It is the basic law for all other individual environmental protection regulations in relation to waste water, noise, gas emissions and solid waste, etc.

By the end of 2010, the number of SER reports had reached more than 600. Many of those SER reporters have their headquarters in Beijing. From the interview responses, the Beijing government is acting as a pioneer when promoting and dealing with SER issues. Both central and local governments have published a series of official documents requiring or encouraging organisations to release SERs. For instance, one of the key documents is SCASAC's 2007 "guidelines" paper, which was mentioned in the earlier discussion. The Beijing government has been working closely with the central government on CSR and SER development for the past few decades. The local government is likely to be responsible for social and environmental issues, and local affairs, corporate responsibility concerning local infrastructure, community and environment are likely to be on its agenda. In Beijing, local authorities such as the Beijing municipal Publicity and Education Centre for Environment Protection, to take one prominent example, are in charge of raising public social and environmental awareness and guiding local participants in environmental protection activities. At the same time, the government is trying to help to build a bridge between corporations and local communities. In recent years, a range of CSR activities was proposed by the local government but carried out by organisations, especially the Chinese SOEs. For example, the Beijing government and the China Medical Foundation launched a special programme in Beijing, a few years ago, to offer free eye checks⁴⁴ on National Eye Health Day, and each year this programme is funded and supported by a couple of organisations. One of the sample organisations sponsored the programme in 2008, as quoted by its organisational participant:

“[Sponsoring the free eye check programme] was part of our CSR activities plan for 2008, our government's idea inspired us and I think that more needs to be

⁴⁴ Including measuring height, weight, blood pressure, vision checkups, retina checks and colour blindness check to Beijing residents. Additionally, various themed lectures are offered on the day.

done to effectively implement our CSR strategies, rather than merely paying lip-service to the concept". (Organisation FB2)

Moreover, since the late 1990s, the local government in Beijing has strengthened its regulatory power in controlling corporate social and environmental responsible practices. The central government has set up a system for monitoring the discharge of pollutants; it relies on local government officials to implement the system, The Beijing government was one of the first to respond and carry out the implementation. Sample organisations in Beijing also felt the need to act accordingly. However, there is no mandatory requirement from the local government for organisations in Beijing to release SERs. To operate within the organisational field, organisations have received pressures from the government to act responsibly, especially towards 2008 – for the Olympic Games, the Beijing government had put a strict system in place to monitor organisational practices in order to prevent any social and environmental problem that could lead to disaster. The local government has the power to enforce those laws because, sometimes, the operation of an industrial enterprise requires its approval and even its assistance for the provision of land or credit. Moreover, in dealing with social and environmental issues, the government can not only punish offenders but can provide incentives for organisations to act responsibly. A number of organisations claimed to act in a socially and environmentally responsible way as their bottom line, and disclosing their performance to the broader society becomes a natural reaction.

Comparing to the situation in Beijing, the YRD and PRD regions are less directly controlled by the central government, and have their own characteristics. Due to the unique geographical advantages of these two Deltas, their regional economies have developed at a fast pace. At the same time, the province-level governments have identified the potential benefits of ethical business practices in a local and global market

setting. Thus, the government authorities are promoting CSR as one of the first priorities for businesses operating in the Delta regions. For example, the local government in Shanghai has taken up the CSR guidelines first implemented by the Pudong New District and is now focusing on a Responsible Competitiveness Index to help city managers understand the policy measures, business and civil society actions needed for a sustainable development (Wickerham and Zadek, 2009). Similarly, local government in the YRD region is committed to environmental protection, e.g. the Yangtze Declaration on Protection and Development, which is a project the central government is also involved in. It outlines a strong commitment to both protecting the area and expecting businesses to conduct their activities in an ethical manner. Moreover, the experience of CSR implementation and SER practices in the PRD region has been most positive and beneficial. The local government has been the instigating actors in demanding ethical development policies and then implementing them. The interview carried out with Organisation BF4 reveals:

“Our regional government is playing a leading role in promoting CSR and SER practices. They had a meeting with us after we had just published our first SER. We shared our experiences with them”. (Organisation BF4)

This suggests, in a way, that central government is a necessary, yet severely limited, part of CSR strategy; positive experiences in CSR implementation highlight the extent to which a symbiotic relationship between local and central government achieves the best results in this area.

One significant similarity between the YDR and PDR regions is that both have their own stock exchange market and there are various types of market associations in place. In 2006, the Shenzhen Stock Exchange (SZSE) released the guide to listed companies' social responsibility. By the end of the following fiscal year, 20 listed companies on the

SZSE had published stand-alone SERs alongside their 2006 annual reports, ten of which explicitly cited the SZSE Guide as a reference. In addition to this, the Shanghai Stock Exchange (SHSE) launched a guide on environmental information disclosure for companies listed in the SHSE as well as a notice on strengthening the social responsibilities of listed companies. Together, these efforts have provided an impetus to ethical business policies to the extent that certain public companies are now formally required to disclose environmental information in a timely manner to the public while the remainder of companies, who are not obligated to fulfil such measures, are at least officially encouraged to publish SERs in addition to their annual reports (Fan, 2009). The guidelines issued by both stock exchanges are engineered to build a harmonious society and strengthen social responsibilities whilst promoting commitment to CSR and SER in participating companies. According to an organisational participant:

“We ought to act in accordance with moral and business ethics and are also subject to government and public supervision. We are required to issue reports documenting our compliance with CSR regulations issued by SHSE”.
(Organisation BF 2)

The interviews carried out in Central Plain (CP) China were among four Henan organisations. Organisations operating along the east and south coasts of China have enjoyed an ‘open policy’ for quite a while now; compared to them, organisations in the CP region are a little more conservative. The notion of CSR is not as widely spread in the CP region; attention to social and environmental issues in this region has only been given in recent years. The Henan provincial government is starting to legislate to regulate organisations’ practices regarding social and environmental impacts. The local governmental action was closely followed by guidelines from the central government. One key issue identified through interviewing the four organisations was that the amount of energy dedicated to CSR activities by both the local government and

organisations has dramatically increased compared to even five years ago. However, the interviews revealed that the general perception of CSR issues among those four organisations is relatively superficial and the understanding of SER practices is limited.

One of the common quotes discloses:

“The first time the concept of CSR was introduced to our company, most of us automatically linked it to donations [I think that probably a large percentage of the population still thinks like that]. However, over the years, the understanding of CSR has developed and CSR activities have diversified”. (Organisation M5: interviewee B)

Moreover, another key theme found during these interviews was that a few leading organisations in Henan province are involved in the standard/rule setting process. The coercive power exerted by the Henan government on SER practices is not as strong as in Beijing, the local government so far has not put forward any requirement regarding the publication of SERs. However, the involvement of a number of organisations’ in the rule setting process has spread a type of coercive effect. One of the typical responses comes from Organisation P, which is one of the leading food and beverage companies in the region. They believe that the main aim of local government is still in a transitional period from GDP/profit maximisation towards balanced harmonious development; a lot of legislative practices are very general and can be vague at times. Therefore, as a leader in its industry and region, organisation P participated in a variety of standard setting, especially in the food and beverage industry. Particularly, a few leading organisations, like organisation M1, are actively promoting the publication of SERs in the region.

Through the interviews carried out with three Hong Kong companies, it is not surprising to find the different levels of influence that come from local government and authorities. The companies admit that compliance with national or local environmental standards and social rules are key factors that restrain their social and environmental impact.

Specifically, mandatory regulations are an effective way to protect the environment and many companies pay more attention to innovative solutions for the reduction of energy and natural resources consumption. However, when discussing the current state of SER practices and issues related to the motivation behind such practices, none of the organisational participants mentioned any coercive pressure from the Hong Kong government being experienced by their companies. In most areas, Hong Kong has its own policies and regulations and SER remains voluntary there. As one of the interviewees stated, the government is ‘too timid’ to demand big private organisation in Hong Kong carry to out sustainability reporting. Only public agencies are required to publish stand-alone environmental reports since 1999, and there are no mandatory requirements for the private sector. An organisational participant said that:

“I do not feel that Hong Kong government is involved in SER publication, at least not for us. I also understand that there are many organisations which participate in a lot of CSR activities but have not yet published a report”.
(Organisation CPD3)

Despite the occasional complaint the government has received for not enforcing SER practices as in other parts of mainland China, the territory has made progress in recent years. For example, the Hong Kong Chief Executive has established a council for sustainable development, a forum for the discussion of issues related to Hong Kong’s long-term development. Compared to Beijing and Shanghai or other major financial capitals, Hong Kong is trailing behind. Only one sixth of the territory’s listed corporations publish a SER (Welford, CSR Asia), and the voluntary nature of SER practices in the private sector could be one of the causes for this. Organisations in the UK, Australia and Japan lead the way in producing SERs. Even mainland China, notorious for its lax environmental standards, has recently introduced legislation requiring listed companies from heavily polluting industries to provide environmental

data. However, in Hong Kong, there are a lot of companies where the majority of shares are still owned by families. Even though they are listed companies, they still operate as private companies and many see SERs as an extraneous element. However, the three sample companies interviewed, which have chosen to file SERs, were among the few exceptions, and they particularly emphasised the culture and business orientation influences when talking about the motivation behind SER practices. Apparently, the Hong Kong government's legislative power only plays a very small part in this.

6.5.3 Mimetic isomorphism

The above section discussed how companies operating in different geographical locations react differently when it comes to making decisions on publishing SERs. It focused on the regulatory structure experienced by each individual organisation. The government, regulators or market associations only account for part of the reason why these sample organisations choose to publish SERs; more factors were identified through the interviews. One of them is the way organisations operating within the same geographical location are mimicking each other.

6.5.3.1 Different levels of pressure

A key theme that emerged through talking to different organisations operating in five different geographical locations is the different levels of pressure related to mimetic structure. In the Beijing and Yangtze River Delta (YRD) Economic Zone, an organisation can experience some very high influence/pressure from its peers. The business environment in both Beijing and the YRD Economic Zone is highly competitive, and attracts more attention from the various parties. Organisations face more competition on many different levels; in terms of consumers, resources and so on.

Very few organisations have successfully established themselves to be the ‘number one’ organisation among local businesses; most organisations are indeed trying to learn from and compete against each other. In fact, sometimes, managers would look to their peers for ‘guidance’ on how to react towards specific social and environmental expectations. The political and economical background in Beijing and the YRD Economic Zone creates an environment where organisations are held to higher standards and made to influence one another. In this bigger environment, organisations are not alone in any case, but are connected to many relevant parties, such as peers, competitors and partners. The sample organisations in Beijing and the YRD Economic Zone also pointed out that, while mimicking behaviour is one of the key motivational factors for many of them to adopt SER practices as demonstrated by the earlier reporters, there are other factors which built up the cognitive structure; for example, the influence of their partners or suppliers. Moreover, ‘practices in a peer company’ is one of the key expressions that was used in the interviews carried out with the majority of the sample organisations that operate in the Central Plain and in Hong Kong, although the situation varied. All the sample organisations that were selected for this PhD research study are well-known local organisations and have established their name in the local community. Given the geographical limitations, the Central Plain of China is not as developed as the other areas and, in terms of social and environmental responsibility practice, it was relatively very unbalanced among the organisations studied. CSR has not been fully incorporated into the agenda of many organisations in the Central Plain as yet. A number of the sample organisations in the area have participated in many CSR activities and, in recent years, have started to report how well they are doing. In fact, they are, to some extent, becoming influential to other companies in the same region. One of the organisational participants explained the situation as:

“I know that a few of us have already published the [SER] report in the region, but I do not know how the number of reporting companies has increased. However, I would like to think that, at least, we sent out a message that, if you want to do it [CSR activities and SER practices], then you will always find a way to make it work”. (Organisation M5: Interviewee A)

Another organisational participant said that it might be helpful to see that companies are willing to be more open and to learn in terms of socially and environmentally responsible behaviour.

In Hong Kong, organisations are more concerned about their general ‘appearance’. As discussed in an earlier section, there are very strict laws and regulations covering many subjects and the influence of the large MNEs is increasing over the years. Local Chinese organisations are facing multiple challenges, and it is important for them to keep pace in the current situation. Organisations have been doing CSR in the name of doing ‘good’ for local communities for years but, in terms of disclosures, there not many companies that have adopted SER practices. SERs were brought to Hong Kong by foreign companies. Ever since, local companies have been facing a certain competition, when there are companies out there doing extras. One of the organisational participants mentioned this in the interview; that it is important for an organisation to engage in truly responsible behaviour, paying lip-service is no longer the way things work here. Organisations may even be monitored by one another.

In the PRD Economic Zone, the business environment is characteristically more open and there are fewer tensions among local organisations in terms of social and environmental responsibility issues. Many organisations originated locally and have maintained a close relationship with the local community over the years. Therefore, the organisation’s behaviour impacts more directly on the community and the people.

Sometimes, they receive a quicker and more immediate response to their practices when an unexpected event happens. However, the relationship between different organisations is not as close. The nature of the business background has made a lot of organisations in the PRD Economic Zone ‘independent’ from those in other regions. At the same time, this might lead to isolation in terms of the organisations’ operational process. Not much cooperation/collaboration could be seen between the sample organisations. The local organisations seemed to have their own strategy and ways of dealing with issues. ‘Peer effects’ were not strongly stated among the sample organisations in the PRD Economic Zone. Several organisational participants expressed this key factor during the interviews, for example:

“We do not usually share things with any other organisations, and there is very limited cooperation. I guess you could say this is how we do business in Guangdong. I assume the business environment here is a lot more transparent than before, so there are more chances of being exposed than in the past, but I still believe it is what you do and how you do it that matters. It is important for us to behave in a socially responsible way”. (Organisation M3)

Despite the very limited influence/pressure the organisations feel from their peers in the PRD Economic Zone, market strategy was highlighted in several interviews as one of the motivational factors for organisations to adopt SER practices.

6.5.3.2 Market strategy

With the process of liberalisation and globalisation, more and more companies are setting up subsidiaries in multiple locations and are facing different geographical cultures, policies and business environments in diverse markets. This is happening on a national level to many Chinese organisations. Responsible behaviour and active involvement in the local community can contribute to improving an organisation’s

business in the local market. Against the business and society background, organisations operating in a highly cohesive geographic field tended to adopt ‘general rules’ or ‘inspiring practices’ unquestioningly. SER practices have been considered more of a legitimate way for an organisation to ‘fit in’ highly cohesive geographic fields, such as Beijing, the YRD Economic Zone, and Hong Kong. As a result, the number of SER reporters is higher in those geographical regions. However, sample organisations in the PRD Economic Zone and the Central Plain of China have their own interpretation when asked about the adoption of SER practices. Specifically, in the PRD Economic Zone, organisations have more opportunities to do business with Hong Kong/Macau partners and to access resources from foreign suppliers. On one hand, these partners or suppliers may sometimes have specific requirements in terms of social and environmental issues; on the other hand, some of these companies themselves have published SERs. Therefore, sample organisations have been influenced in several ways to decide to produce a SER to satisfy the needs/expectations of other parties. To some extent, SER has been used as a type of market strategy in the PRD Economic Zone in particular.

6.5.4 Normative Isomorphism

Geographical location formed one of the important organisational fields in this PhD research study. Among the sample organisations interviewed in the five different regions in China, a normative structure could be seen in most regions, which worked around and influenced the organisations operating within the fields, although the normative pressure was not consistent among all the sample organisations. Also the normative pressures were higher in some regions than in others.

6.5.4.1 Local professional networks

One of the key themes was the increasing effects that local professional networks have on many organisations in Beijing, the YRD Economic Zone and Hong Kong in particular.

When browsing through the news and media, the number of mentions of issues concerning ‘responsibility’ has been overwhelming in recent years. Operating within such an environment, organisations can no longer avoid this issue but have to take on an active role; the increasing awareness of the CSR concept has resulted in an increase in the broader field-level interactions among organisations. There are a number of CSR-related professional networks that are devoted to furthering the CSR concept and organising events. The most influential ones are located in Beijing, Hong Kong and Shanghai⁴⁵, such as the WTO Tribune, the Golden Bee CSR Council and the SynTao Sustainability Solutions in Beijing; the Sustainable Development Committee in Shanghai and the Business Environment Council in Hong Kong. They are greatly interested in Corporate Social Responsibility (CSR), are dealing with related issues in China and have organised reports, research, training, discussions and international communications on the subject. Specifically, The Tribune, in Beijing, maintains a close relationship with CSR related international organisations and has set up a network for CSR reports and promotion. Moreover, they are trying to create an environment where organisations are not isolated and the general public has a better idea of what CSR is about, alongside what the expectations are. In the process, the personnel in charge of CSR and SER in a number of organisations has been contacted and offered the opportunity to join a network where issues can be discussed and experiences can be shared. One of the sample organisations, with its headquarters in Beijing, had support

⁴⁵ It is the main city in the YRD Economic Zone.

from the WTO Tribune on what they referred to as the ‘SERs journey’. It has been participating in various CSR activities internally and externally over a long period of time. The CSR team in this organisation has participated in a number of the WTO Tribune’s seminars, one of them was on the need for CSR disclosure. It changed the organisational perception of the usefulness of SER practices, its CSR team then discussed it with the senior manager of their company. In need of help with SER practices, they invited the WTO Tribune to help them with preparing the report and to assist with the annual CSR planning.

Professional networks are much more widespread than before, and this has become a factor to potentially influence organisational decisions on corporate voluntary disclosure practices. However, in many local regions, this is not the case: according to the interview carried out in the Central Plain of China, organisations’ involvement in professional networks is limited.

6.5.4.2 Training Programmes

A well-developed accounting profession and a system of educational training programmes in a given region or organisational field leads to a trend or an extra effort towards providing socially and environmentally related reporting and disclosure.

From the responses gathered through interviews with sample organisations in different regions, there is clear evidence that there are more training programmes in Beijing. Organisational participants referred to these programmes in the interview. Although many of these events usually take place in Beijing, the participants come from all over the country. But, because of these training programmes and the intention of many organisations to participate, a positive environment has been built up, which includes the external influences in which an organisation operates. This gives a boost to

organisations' practices, where many of them believe that it is important to fit into the environment. For example, one of the key themes in a CSR conference was to manage sustainable growth and green operation. During the conference, organisations not only learnt from the material that was provided by the conference; many of them also brought it back to their organisation and tried to integrate it as part of their operational practices. In the last couple of years, many of the events' topics have revolved around the disclosing of socially and environmentally related information. This creates an atmosphere aimed at making the entire conference feel concern for the environment. At the same time, the current trends and the new practices in the business world are being promoted among the organisations.

6.6 Organisational Size

Organisational size is one of the common institutional fields identified by many researchers. For example, the small-medium size business community seems to be heterogeneous and its behaviour is influenced by a number of factors. On one hand, researchers found that small-medium size companies are better positioned and equipped for socially responsible behaviour than larger organisations. Small-medium business is often celebrated for such social benefits as creating jobs, inducing economic growth and introducing innovations (Audretch, 1989; Wennekers and Thurik, 1999). On the other hand, other studies have shown that small-medium size organisations experience more difficulty than larger firms to take their social and environmental responsibility. Many businesses, especially the smaller ones, have never thought about CSR or believe their social and environmental impact to be negligible (Hitchens et al., 2005). Large organisations, in general, will have more market power and hence discretionary

resources to allocate to social responsibility or SER practices than small-medium organisations. Through the interviews carried out with many different sample Chinese companies, it has been recognised that the flexibility and response to external coercion is affected by organisational size. The majority of participant companies are large, whereas only five medium sized companies have agreed to the interviews. Unfortunately, none of the sample companies is small sized, this is due to the almost total absence of reporters among small sized companies. Moreover, in terms of the coercive pressure felt by the sample companies, the difference between large and medium sized companies was not significant, apart from a few minor issues.

6.6.1 Institutional Background

The two different types of organisational field are the large and medium sized organisations in this PhD research. Similar to situations in other countries, most of the large corporations in China have developed well over the years. The experiences of several leading super size Chinese national corporations with well-established and effective CSR programmes provide some important best practices. For example, all the large sample companies have company-wide CSR goals and programmes designed to achieve these goals. Moreover, in China, large companies with programmes in all of the typical categories of CSR often fragment supervision among various company departments. For instance, the corporate communications department might supervise community outreach efforts while the legal department supervises Environmental Health and Safety (EHS) programmes. Since such efforts are divided among departments, the company tries to ensure they are linked. For these larger companies, the chief executives usually supervise all programmes and organise a “CSR Committee”

of executives from all departments, such as operations, sales and marketing, human resources, and government relations, to meet regularly to coordinate CSR related efforts. However, among the large sample companies, three of them do not have a separate CSR committee/department, the CSR related issues are dealt with by other departments within the company, such as the office of strategic planning in organisation E3, the corporate image division in organisation CPD1, and organisation E4 has assigned individual personnel from each department to be in charge of CSR issues, under the supervision of the chief executive. Smaller companies with limited resources and fewer programmes might instead designate key managers to report directly to their CEOs. Many companies have a government relations director, which is a good fit to oversee CSR programmes because many CSR issues require significant interaction with government bodies to be successful in China.

However, the motivational pressures that may engage Small and Medium Enterprises (SMEs) with CSR are not the same as for large companies. In this case, SMEs refers to the situations in medium size sample companies only. While the growing visibility and global impact of large companies and brands has heralded calls for greater transparency and accountability, SMEs remain largely invisible and unlikely to see CSR in terms of risk to brand image or reputation. SMEs are far more likely to hold their attention on issues such as employee motivation and retention and community involvement than on others. Realistically, many SMEs, especially the smaller size companies, are simply content to survive, as long as they are making a decent living, there is little need to reduce the bottom line with CSR related schemes. Most examples of best practice in SMEs come from companies who have decided to embrace the concepts of CSR and sustainability and exploit niche markets such as the supply of environmental products or

the new breed of social enterprises. There are basic CSR issues that all SMEs have a responsibility for, amongst them the creation of a good working environment where diversity is encouraged, the fair distribution of wealth in the community, the protection of the environment. Most SMEs are only motivated to adopt new forms of operation by legislation and supply chain pressure; in terms of CSR, the former is unlikely to be readily accepted by resource constrained SMEs, and the latter, in many ways, just transfers large company agendas onto small companies without accounting for the complex and heterogeneous nature of the SME sector.

6.6.2 Coercive isomorphism

6.6.2.1 External influences on large and medium size organisations

Both the large and medium size sample companies interviewed have experienced external influences from various parties, such as from the central/local government, relevant legislative bodies and so on. These include strong/weak coercive pressures; different degrees of encouragement and guidance, although the relationship between an organisation's size and the external influences it feels are not as significant as with in other organisational fields. When dealing with CSR activities and SER practices, the Chinese situation is that expectations and requirements are at times higher for large organisations than for smaller ones. Specifically, in the eyes of the government, many large companies – the SOEs in particular – are considered to be models for others. Therefore, many large companies are expected to act in line with government requirements. It has been identified that the majority of the large sample companies' CSR efforts relate to China's social development goals, which are outlined in official government documents such as the national 11th Five Year Plan (FYP) and provincial and county level statements. Several of the issues that the central government hopes to

address in the 11th FYP include improving access to and quality of social services, particularly health and education, and improving environmental conditions in China. These areas are quite broad and many CSR activities taking place in large and super-size corporations are likely to fall under one category or another. At the same time, the government runs pioneer CSR programmes in cooperation with a number of the large organisations. This is because large organisations normally have well-established systems or richer resources than SMEs. The organisational participant from organisation E1 expressed his concern:

“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 and 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 exactly same thing”. (Organisation E1)

However, as discussed in an earlier section, coercive pressures do not only come from legal authorities but also from the relevant/powerful stakeholder groups. One of the key points raised through the interviews with the medium size companies was that their willingness to respond to external influences is higher than that of larger organisations. For example, it seems easier for a powerful supplier to have control over a smaller client company than over a large organisation. On one hand, large organisations show higher activity levels in environmental and external social issues, however, for some large organisations, once established, plans are difficult to change. The organisational participant from one of the largest construction and property development organisations said, during the interview:

“We have plans and budgets for CSR activities each year, anything beyond that will have to go through a lot of procedures to be confirmed by shareholders. Therefore, it is impossible for us to just accept an influence and change our practices”. (Organisation CPD1)

In other words, large organisations do not respond to external influences easily. On the other hand, most SMEs are easily motivated to adopt new forms of practices by legislation and supply chain pressure; in terms of CSR, the former is unlikely to be readily accepted by resource constrained SMEs, and the latter in many ways just transfers the large company agenda onto the small company without accounting for the complex and heterogeneous nature of the SME sector. Moreover, in China, the adoption of SER practices started among the largest organisations, and this remains true even now: very few SMEs have published reports. SER related guidelines are specifically targeting large organisations. For example, the number one document issued by SASAC in 2008 refers to CSR implementation for large SOEs in particular. Since SER practices are still in their infancy in China, the government has started CSR implementation and SERs adaptation among large companies first; only very recently the government has started to pay attention to SMEs. Organisational participants from the six medium size companies have experienced very little coercive pressure for their decision to produce SERs.

6.6.3 Mimetic Isomorphism

Organisational size is another factor that makes up an organisational field. As discussed earlier, medium sized organisations may react quicker to requests from external parties, whereas large organisations tend to be less flexible on these issues. Despite the existence of coercive structures among both large and medium sized organisations, there are other factors; one of them is the mimicking behaviour that mostly exists among the medium sample companies in particular.

6.6.3.1 Peer Pressure

Although medium sized organisations only account for a very small percentage of the sample for this PhD research study, in general, medium sized organisations do not constitute the large majority of reporting organisations. It is interesting to get the perceptions of medium sized organisations. The medium sized organisations in this research were all Domestic Private Enterprises (DPEs). Although the responses to the initiation of SER practices were varied, one of the key themes that was frequently referred to was peer influence. Most of them believed that, under certain circumstances, larger organisations have more influential power over smaller ones. This is one of the reasons why smaller organisations need to learn from bigger ones, especially when they are looking for ideas to improve themselves. Sometimes, bigger companies have more opportunities to access market resources and so on. In recent years, more and more large organisations have been seen to adopt SER practices: this has made smaller organisations wonder about the reason or impact behind it.

“‘To grow’ is our mission over the years, but recently we adjusted it to ‘to grow sustainably’. We know the danger of focusing too much on short term profits, and that it is a good idea to learn from large organisations on how they have been successful over a long period of time”. (Organisation FB3)

Although the mimicking effect can be identified among large-medium organisations, it is not as direct or as strong as the mimetic structures which can be seen in different industrial sectors. Looking at the motivation behind SER practices, a more common factor would be normative isomorphism.

6.6.4 Normative isomorphism

6.6.4.1 Professional Involvements

In the past, the institution was weak and the existence of a professional environment was poor, there was not a strong influence coming from the external environment.

However, in recent years, while growing attention has been paid to organisational practices, the organisations themselves have recognised the importance of responsible behaviour, especially for large enterprises. There are higher expectations on them as well. Through participation in CSR-related events, the large sample organisations are actively involved in the current trend by taking a leading role in SER practices. However, medium sized organisations have the intention of doing so, but some of them have limited resources to manage all these different tasks. One of the medium sized sample organisations revealed its situation during the interview:

“We have very limited human resources to handle the preparation of the report and, if we had extra help, then I think we would have published SER a couple of years ago”. (Organisation FB1)

It is not difficult to find that the general environment is in favour of responsible behaviour. This has built up a ‘taken for granted’ attitude among large organisations.

6.6.4.2 Taken for granted

Normative isomorphism has been seen in different organisational fields, it was indeed one of the influential factors on the decision to adopt SER practices among the different sample organisations. The changing expectations of the general public have created a continuous process to be adopted by organisations. Among the large sample organisations, which are usually the leaders in many positions, a shared set of social values is emerging: organisations genuinely believe that adopting certain practices could give them a role in society. When considering SER practices, many of them are thinking beyond financial returns. They see the norms and values behind SER, which is becoming one of the commitments commonly accepted by society, especially among large organisations. This does not mean that an organisation would do anything in the

name of socially responsible practices, but that they are becoming attentive and adopting social values and rules. As for large organisations, it is becoming taken for granted that an organisation will publish a SER, because the others are doing it. For example, an organisational participant from one of the large sample organisations said this during the interview:

“I do not know what you would call it (SER practices), a must do? A bonus point? But what I do know is that I can certainly see it becoming a trend, organisations like us would be perceived badly if we were not responsible for our own behaviour, and we are doing anything we can to make sure we are.” (Organisation E7)

6.7 Business Orientation

When interviewing organisations with different business orientations, their view of CSR issues and reactions to SER practices can vary. The 23 organisations participating in this research study can be roughly divided into three types, according to their business orientation – export oriented, labour intensive, and environmentally sensitive. Although the three categories identified have their own characteristics, they are not mutually exclusive and there is some overlapping. For example, an organisation can be both export oriented and environmentally sensitive.

6.7.1 Institutional Background

One of the organisational field divisions identified in this research study is based on the various business orientations. Business orientation helps to explain why an organisation behaves the way it does and shapes its beliefs regarding what is important and necessary. Moreover, organisations with different business orientations may have different

priorities when dealing with their stakeholder groups. For example, a few export oriented organisations claim that their international buyers are one of their most important stakeholder groups. Often, they operate to meet the international buyers' expectations. In a way, business orientations and industrial sectors have similar effects. Not only can they both explain a company's organisational nature, but they also affect an organisation's attitude towards the adoption of SER practices.

6.7.1.1 Export-oriented

An export oriented company is one that produces goods mainly for export, rather than for the domestic market. Since the fast economic development in China began, over a decade ago, there has been an increase in the number of export oriented companies. CSR may be seen as an enabler for export oriented companies in developing countries that are trying to access the international markets.

This is especially relevant as more and more companies from China are globalising and need to comply with international market requirements, including various forms of sustainability performance reporting and CSR code compliance (Visser, 2007). This is echoed in Chapple and Moon's (2005) study of seven countries in Asia, which found that there is a strong relationship between international exposure, either in terms of international sales or foreign ownership, and CSR reporting. Indeed, because of the intensive global competitiveness and demand, CSR practices and standards are being gradually implemented among Chinese export oriented companies.

6.7.1.2 Labour-intensive

A labour intensive industry or company requires a large work force and a relatively small investment in capital goods. Labour intensive companies used to account for a large percentage of China's economy. However, after China's admission to the WTO in 2001, global pressure on labour and environmental issues, the energy deficit, foreign trade disputes (particularly anti-dumping suits) and currency appreciation all placed China in a difficult position regarding its reliance upon low value-added exports based on low-wage and low-skill manufacturing. In the face of such problems, China's central government developed a new policy framework based upon the strategy of "building an innovation oriented nation", which emphasizes economic restructuring and the transition from labour intensive and low value added industries towards high-tech and higher value added industries that are based on independent intellectual property rights and innovative capacity. This policy initiative has begun to impact upon China's enormous domestic labour market. Compared to other companies, labour intensive ones are especially sensitive to various labour related issues and are paying more attention to their social impact as well. However, in recent years, a shift away from their labour intensive nature is occurring in many organisations, especially large SOEs.

6.7.2 Coercive isomorphism

6.7.2.1 Different stakeholder groups' influence

Both export oriented and labour intensive organisations experience external coercive influences from the government and legislative bodies. However, government regulations and guidelines do not have different requirements for different types of organisations. In the absence of detailed governmental controls over the social, ethical, and environmental performance of companies with different business orientations, activism by stakeholder groups has become another critical driver for CSR and SER

practices. As for export oriented companies, they might be more concerned about the impact on their international buyers. Therefore, it is necessary to meet the international buyers' requirements. This is an important step for many export oriented companies, since this not only relates to their sustainable development, but even to their survival. As a quote from an organisational participant states:

“We have mentioned the necessity to meet the needs of the powerful stakeholder groups, such as our overseas partners, in our first CSR report, as one of our leaders said that we grasped the chance. Moreover, our partners carry out stricter inspections and assessments on us”. (Organisation E6)

Labour intensive organisations have a different focus relating to CSR issues. For example, one of the food and beverage companies interviewed had particular concerns regarding its employees. The organisational participant admitted that:

“Concerns from trade unions and work associations caused us to put an extra effort into managing the relationship with our employees... One of the good things about adopting SERs practices is that the reports have been used to communicate with and educate our employees”. (Organisation M5)

Absence of mimetic isomorphism

When considering the sample organisations operating within this organisational field, the analysis of the empirical results does not demonstrate a distinctive mimetic isomorphism based on different business orientation characteristics.

6.7.3 Normative Isomorphism

6.7.3.1 Exposure

The sample organisations can be categorised into different groups based on their different business orientations. The types of business orientations have been discussed in an earlier section. The interviews carried out with the labour intensive and

environmentally sensitive organisations show that many of the organisational participants used the word ‘exposure’. It is indeed one of the most frequently used words in the media as well. Anything that happens can be revealed on the internet, in various on-line forums, or be revealed on the TV news or specialised programmes. Organisations have become more alert about things happening both internally and externally that could have potential effects on them. For labour intensive organisations, employment issues are one of the biggest challenges: child labour, and sweatshop factories could all be very sensitive issues for these organisations. Externally, these could affect the survival of labour intensive organisations. Internally, labour intensive organisations have to deal more carefully with their employees and make sure they become valuable assets, rather than liabilities, to the company.

The same response was given by the environmentally sensitive organisations. Not only continuing green issues, but sometimes not taking care of organisational actions could lead to huge disasters. Various incidents have been exposed in recent years, and the effects are not going to go away easily. Therefore, a lot of environmentally sensitive organisations are actively involved in environmental responsibility events to ensure that they are behaving responsibly.

In this case, both groups of organisations mentioned the possibility of ‘exposure’ in the interviews. On one hand, they believe that sometimes it is not just about doing the right things and behaving responsibly: sending out the message on how well they are doing is important and could also be effective. They are using the reporting medium as an opportunity to spread positive practices to others. On the other hand, sometimes things do go wrong; SERs can be used as a medium to disclose negative incidents, and the related solutions or the organisation’s reaction can be sent out to the public. However, among the export oriented organisations, the ‘exposure effect’ was not a major concern,

they already experienced more of a coercive pressure, as has been discussed in an earlier section.

6.8 Culture and Context

Organisations can be divided into different organisational fields based on their cultural and contextual differences, while many people believe the concept of CSR to be a western invention – and this may be largely true in terms of its modern concept – there is a genuine belief and ample evidence that CSR draws strongly on deep-rooted indigenous cultural traditions of philanthropy, business ethics and community embeddedness. Indeed, some of these traditions go back to ancient times in China. The concepts and tradition have been embedded in Chinese philosophy for many years. For example, Buddhism: aspiring to oneness with the natural environment (Sponsel and Natadecha-Sponsel, 2003); Taoism: ideas of the harmony between heaven, earth and humans (Miller and Thoresen, 2003); and Confucianism: human flourishing can only take place within the larger matrix of nature (Berthrong, 2003). Sometimes, SER practices are not explained by [level of] development or operational practices, but by factors in the aspects of the cultural and social context.

One of the most important types of organisation participating in this PhD research study are those with family history. These organisations try to create a family atmosphere among their employees. They try to deliver messages to their employees such as ‘you are a member of the big “family”, the enterprise; your greatest responsibility should be to serve the ‘family’ and contribute to “family” development, while the “family” will take good care of you’. There is also a common slogan that has been used to promote environmental protection in China, namely: ‘the earth is your family, and everyone

should take great care of it”. The family has been stressed further as the natural habitat of humans, the most desirable environment for mutual support and personal growth and the building-block for society’s structure and function. This not only echoes with one of the concepts in Confucianism, but has been broadened in that a good family relationship is the key to a harmonious society, in that if people could learn to perform their familial roles properly, they would, in turn, be able to carry out their roles in society and government properly (Confucius, Analects 1:2 and 4:20). The two very important characteristics in family businesses are loyalty and responsibility, which can be found in Confucianism as ‘Zhong’ and ‘Xiao’. There is a focus on in-group concepts and ‘we’ identification, meaning that you are a member of a group – not an outsider; it is your business to take responsibility for this group.

Absence of coercive isomorphism

The three different organisational fields in this chapter are defined based on the sample organisation’s cultural and contextual backgrounds, there was no significant coercive pressure exerted on the sample organisations. The key themes that emerged from the interviews are mainly associated with mimetic and normative isomorphism, which are going to be discussed in detail below.

6.8.1 Habits and Inertia

There are not that many companies that have a long history in China, many of them trace their origins way back to the old China, but they have usually been reformed or re-

constructed over the years. The majority of the sample organisations were founded after the foundation of the PRC in the 1950s.

A number of the sample organisations do have a longer history than others: one of the sample organisations was the first private enterprise since the Qing Dynasty⁴⁶ (1644-1911). Through the interviews with the organisations with a longer history, one of the key characteristics that can be found is that they tend to possess habits and inertia. Usually, they have long established organisational practices and values. In other words, changes are more difficult to be implemented in these organisations. None of the longer history organisations are among the earlier reporting companies. Usually, what persuades these companies to adopt any change is if it works with their internal organisational beliefs. External factors could be influential in a way, but not vital. They are more likely to accept changes that come to be an expected norm or that they consider to be the right way to do business. A response from one of the first-time reporters, which is also the oldest organisation in this research study, states:

“To be a responsible organisation has been part of our organisational philosophy for years. But, in order for us to continuously develop, we need to know and try to accept new practices [SER practices]. I think we are the oldest company to adopt SER practices so far”. (Organisation BF5)

It is not difficult to find that peer influence exists in this organisational field, at the same time, social influence also exists; it will be discussed below.

6.8.2 Social Expectation

In the history of the development of CSR, Confucian tradition and business ethics based on Confucian notions had seriously degenerated during the transitional stage of market reform in China. As many companies are trying to recover and develop business ethics

⁴⁶ It was the last dynasty of China. It was preceded by the Ming dynasty and followed by the Republic of China.

and morality, others may still have a long business ethic tradition remaining in them. Some of the companies with a long history or family business background believe in cultivating virtues and becoming a ‘superior enterprise’, which will contribute to the construction of a harmonious society, is one of the primary reasons for them to conduct CSR. Therefore, the organisations themselves have ethical concerns and responsibilities towards their major stakeholders and the environment in which the company operates. A number of organisational participants explained how they are dealing with social expectations, which are referred to in Confucianism as ‘try your best to treat others as you would wish to be treated yourself’. In other words, these organisations are operating in a reciprocal way according to social willingness and providing returns to society. As one of the organisational participants expressed during the interview:

“I believe ‘doing the good thing’ is a two-way street. We have to make sure that we are acting in a responsible way before we can ask others [partners, suppliers...] to do the same.” (Organisation BF5: interviewee C)

Other organisational participants’ responses also reflect this point. They believe that if they are being open about their practice, there is a chance for others to do the same. SERs are considered to be a good way of disclosing their practices.

6.8.3 Confucianism

One of the most interesting opinions emerging from the interviews is that Confucian thought influences the concept of CSR and links it to SER practice. Confucianism traditionally highlights ethics, morality and personal cultivation in pursuing “goodness”. “Goodness” implies seeking the inner tranquillity and peace of people’s hearts and friendly and harmonious human and environmental relations. The main goal of Confucianism is to pursue the “goodness” of people’s inner worlds, “goodness” among members of a group and “goodness” among different ranks of society. Confucius used

to teach his students how to work towards “goodness” by getting them to report back to him the good deeds they had done for others on a regular basis; he emphasized to his students that it is important to do good things but that it is also acceptable to let others know about the good things that you have done, since it is for a good cause and there is nothing to hide. In the history of Chinese enterprises, particularly before the 1950s, Chinese entrepreneurs used to participate openly in a lot of CSR activities, things such as giving money to those less fortunate and supporting the local community. Gradually, many of these activities became a tradition and habit for the organisations. People would expect organisations to behave consistently and, as a result, organisations were proud of their contribution in many aspects and enjoyed the recognition of others in society.

However, this situation changed after the People’s Republic of China was founded. Under the strict supervision of the Central Government, organisations had to take on extra responsibilities, and these sometimes became embedded in the organisations’ operation. When things appear to be natural and taken for granted, organisations do not realise that those are extra responsibilities rather than a part of their daily routine. This led to a dismissive attitude towards CSR among Chinese organisations, until the period of Chinese Economic Reform, starting in the late 1970s. Organisations believed that it was not appropriate for them to seek credit for their so-called good deeds. Generally, in society, people were fairly discreet about their ‘goodness’ and they liked to do good deeds quietly and get on with life. An iconic person who was made into a role model for many others was Lei Feng. While alive, Lei Feng was not a widely known person; however, the stories⁴⁷ about his life were discovered afterwards, as he helped many

⁴⁷ During his short life (1940-1962), Lei Feng donated all his spare time to social causes.

people, mainly people he did not know, and never said a word about it. The Campaign ‘Learn from Comrade Lei Feng’ was launched in the early 1960s by the political leader of the Communist Party. He then became a cultural icon symbolising selflessness, modesty, and dedication. It was not hard to see that the government of the time was trying to encourage people to do the ‘good thing’, but not to publicise it. This became commonly accepted by Chinese organisations until the market reform took place.

“In our business history, we have always kept our social and environmental disclosure to a minimum. It was only in recent years we released our first [social and environmental] report. There are many things disclosed in the report that we have been doing for years, but we are just not good at telling the story.” (Organisation I)

During the Chinese Economic Reform⁴⁸ period, organisations were required to achieve various targets, especially in terms of economic growth. As a result, there has been a dramatic growth in China’s economy since the reform started in the late 1970s. During the same period, the organisations’ focus shifted to economic profit and they would try “anything” to achieve their financial goals. Not only was the government concentrating on economic growth for the country, so were most organisations. What is more, organisations did not give too much consideration to the negative impacts that their operational practices were having on society and the environment they were operating in. There were no SERs released during the reform period, and the concept of CSR was hardly found on any organisation’s agenda.

After three decades of reform, while China’s economy has experienced a big boom, the resulting social and environmental issues have caused bigger problems. China had

⁴⁸ It refers to the programme of economic reforms called “Socialism with Chinese characteristics” that was started in December 1978 by reformists within the Communist Party of China led by Deng Xiaoping. The goal of the Chinese economic reform was to transform China’s stagnant, impoverished planned economy into a market economy capable of generating strong economic growth and increasing the well-being of Chinese citizens.

become a classic example of failure to balance its economic growth and its social and environmental impacts. This attracted attention nationally and internationally. Not only have the government and the media paid increasing attention to monitoring the social and environmental crisis, the general public have shown an increasing interest in, and have been actively involved in, social and environmental responsibility events; many organisations have started to reflect on their behaviour and to seriously consider the consequences. There has been an increasing number of organisations taking an active role regarding social and environmental responsibilities and, as previously stated, the number of the SERs released by Chinese national companies has increased to nearly 600 compared to the mere 9 released five years ago.

6.9 Conclusion

In general, the organisational participants displayed a positive attitude towards CSR and the range of different pressures felt in terms of initiating SER practices. A majority of organisational participants have perceived a mixture of the coercive, mimetic and normative isomorphic pressures through regulatory, cognitive and normative institutional factors. The responses of the organisational participants clearly show the existence of a coercive pressure, but a relatively vague boundary between mimetic and normative pressures. Many of the identified institutional factors exert both mimetic and normative pressures, depending on the organisational field that each sample organisation operates within. A minority of organisational participants found that certain institutional pressures are more dominant than others.

The next chapter is going to consider the implications of the research findings presented in this chapter in light of the motivations underpinning this PhD research study and the specific research questions outlined in chapter three.

Chapter Seven Further Discussion

7.1 Introduction

The previous chapter presented and analysed, through an institutional lens, the detailed key themes associated with the motivational factors underlying Social and Environmental Reporting (SER) practices among the sample Chinese organisations, together with some material from the interviews with individual participants from those sample organisations. This chapter presents further discussion and analysis of the findings stemming from the interviews. One of the key discussions is that the blurring of the boundaries – in practice – between coercive, mimetic and normative isomorphic pressures, together with several of the factors that have been discussed in the previous chapter, may plausibly span the boundary between two (or even all three) types of isomorphism. This complex interplay and overlapping of pressures, in the real world, emerged from the interviews and is going to be discussed in the following sections. Moreover, the following discussion looks at the detailed findings as part of a larger picture, focusing on various perspectives of the organisational participants, regarding CSR and SER practices, which arise from their responses to the questions in this area included in the interview guide.

The discussions in this chapter are presented in three sections: the first two sections summarise the development of SER practices in China and the rationale for their existence as perceived by the organisational participants; the third section details the various predominant perspectives of the organisational participants regarding the positive and negative aspects of SER in general.

7.2 The interrelationship between institutional isomorphisms

Taken at face value, the interview narratives reflect some of the internal organisational factors and external contextual aspects associated with the initiation of SER practices that have already been discussed in the previous chapter (Chapter Six). In particular, the organisational participants drew attention to the motivational factors affecting the impetus to report and related to the industrial sector, the ownership structure, the geographical location, the organisational size, the business orientation and the cultural context. These internal and external factors pointed to the inclusion of coercive, mimetic, and normative isomorphic pressures. These, in several cases, were associated by the organisational participants with the characteristics of the various organisational fields within which their organisations operate. However, the interview narratives reveal some of the blurry boundaries between isomorphic pressures, with the various factors previously discussed potentially spanning the boundaries between them. This complex interplay and overlapping is presented in the following sections.

Firstly, all organisational participants, regardless of the nature of their organisation or the organisational fields it belongs to, mentioned experiencing various degrees of coercive pressure. However, that coercive pressure is exerted by various types of institutions. Some of these institutions exercise a very strong coercive influence, while others may only exert a very weak pressure upon the sample organisations. Secondly, some of these institutions exert mimetic or/and normative influences in addition to the coercive pressure.

7.2.1 Legislation

Most of the organisational participants felt that their organisations had a “social” responsibility to, at a minimum, comply with legislation and standards. This perception emanated mainly from the organisational participants from the State Owned Enterprises (SOEs), irrespective of their size or geographical location. The awareness of this responsibility was found relatively more often among the organisational participants from the energy and food and beverage industries, since there has been a recognised increase in social and environmental regulation relating to their business operation. For example, the major expansion in the scope of corporate responsibilities relating, in particular, to standards of workplace health and safety, legislation of environmental controls and regulation of food quality are no longer discretionary, but are definite legal responsibilities. These factors are clearly exerting strong coercive pressures on the organisations. The sample organisations in these particular organisational fields appear to be more exposed to these coercive pressures than others. Environmentally sensitive organisations are subject to much wider environmental regulations and the organisational participants employed by these organisations expressed a strong awareness of the need to comply with those regulations:

“This [to perform to all environmental regulations wherever we operate] is the minimum we try to achieve.” (Organisation E5)

“All responsible mining organisations should undertake to adhere to national legislation wherever they are working.” (Organisation E7)

However, while recognising the need to comply with these standards and regulations, seven organisational participants were especially keen to emphasise their responsibility to go beyond the basic legislation. They believe that companies should desist from considering basic compliance with legislation the limit of their socially responsible activities.

“The basic is the minimum. I believe that the sign of a good organisation is that, besides doing the bare minimum, it always go the extra mile.” (Organisation M1)

This perspective has moved towards normative isomorphic pressure; that an organisation’s practice is not coerced, but is the object of a more proactive approach. Compliance with social and environmental responsibility has become part of the organisational belief of some of the sample organisations. They adopt an additional approach in relation to CSR, to disclose and publicise their social and environmental performance. This reflects what those sample organisations believe to be the right thing to do, although it only shows a relatively weak normative isomorphism.

7.2.2 Various Stakeholder Groups

During the interview, the organisational participants specifically referred to the responsibilities they hold towards various stakeholder groups, such as the central and local government bodies, market/trade associations, communities, customers and suppliers. These stakeholder groups exert different types of isomorphic pressures, mainly related to coercive and normative isomorphism.

Firstly, when the issue of the pressures emanating from the central and local governmental bodies was brought up, it engendered a slightly wary response from many organisational participants. This was especially common among the SOEs and the sample organisations from Beijing. It was acknowledged to some extent, but very little elaboration was provided. One of the concerns expressed was that the pressures emanating from some governmental organisations lead some of the sample organisations to being expected to forego some of their profits in order to become more helpful and to take on broader social and environmental responsibilities. Sometimes, the

intervention of governmental organisations' can cause difficulties. In any case, the effects of coercive pressure were expressed by the participants in very vague terms. Although recognising that such pressure can exist, an organisational participant from Beijing felt that:

“I do not think we ever feel forced to make decisions or do things that we would not otherwise do.” (Organisation CPD3)

A similar viewpoint was shared by several organisational participants in response to the question regarding the motivation behind their decision to adopt SER practices. While the existence of coercive pressures was acknowledged by two of the organisational participants, those who provided any elaboration on this issue appeared keen to emphasise its relatively benign nature. The two participants clearly expressed their opinion that had there not been any of the government's so-called promotion of SER practices, they would not have considered adopting the voluntary reporting practice. Other organisational participants were relatively neutral on this matter; they even stated to regard the guidelines on CSR and SER practices issued by the Shanghai and Shenzhen Stock Exchanges to be a positive direction rather than an enforcement.

Secondly, the majority of the organisational participants appeared to believe that the existence of market/trade associations in the industrial sector has an impact on the organisational practices and the level of social and environmental pressure an organisation is exposed to. Initially, the pressure brought to bear appeared to be partly due to the malpractice of the businesses involved. The market/trade associations had to act proactively to correct the malpractices and monitor organisational behaviour. Thus, the organisations were coerced into adjusting their practices. This coercive pressure was found particularly in the food and beverage and construction and property development

sectors, where industrial accidents were increasing mainly due to unethical organisational practices. As a result, the industrial association put certain acts in place with the aim to reduce these practices and avoid the occurrence of unnecessary accidents.

Sometimes, coercive pressure tends to elicit relatively superficial responses intended to merely demonstrate compliance, without there necessarily being a buy-in to the rationale for the activity. However, the role of these market/trade associations is not limited to coercive power; they exert normative pressure at times, especially in terms of trade association self-regulations. This involves the voluntary recognition of the social and environmental responsibilities of organisations, although several organisational participants emphasised that this only holds as long as it does not conflict with their economic well-being. In addition, the self-regulatory influence of trade associations causes CSR and SER practices to be seen as ‘the right thing to do’ in terms of personal and organisational values, and thus reflects the influence of normative institutions. For example, three organisational participants from the financial and banking industry see CSR and SER practices as part of their organisational values and norms, irrespective of whether there is a high level of social and environmental exposure. They further recognise the China Banking Association’s efforts in organizing CSR seminars and training programmes, and its efforts to include even the smaller regional banks in the promotion of CSR and adoption of SER practices. An organisational participant expressed:

“Maybe we are a low profile company, especially in terms of environmental impact, but that does not mean that we are doing any less. It [the social and environmental exposure] is not even considered to be a coercive factor for us anyway.” (Organisation M1)

However, trade/market associations do exert some kind of coercive pressure on the sample organisations, though not as forcefully as laws and regulations. Also, under different circumstances, trade/market associations can exert a clear normative isomorphism.

Thirdly, the community is one of the very important and influential institutions mentioned by many organisational participants from various sample organisations. An important fact emerged during the interviews is that the community does not seem to be a coercive factor under any circumstance. Two thirds of the organisational participants recognise responsibilities to the community and consider it, to various degrees, to be an important stakeholder group. These organisational participants span all industrial sectors and all geographical locations (although a relatively high proportion of them were from the sample organisations with a long history and a family business background, as well as from labour intensive organisations). Given the relatively limited knowledge of CSR in China, many people assume that community involvement is just intended to provide some form of donation or sponsorship to an organisation's immediate community. This appears to be just one of the very basic responsibilities that an organisation can take on; spending time on community issues or sharing resources with communities seems to be more appropriate for a number of the sample organisations.

“It can be really easy to understand why some organisations choose the cheque book, it is probably the easiest way [of demonstrating responsibility]... but we choose to give our time, share our resources, and I believe this can really make a difference [to the community].” (Organisation BF5)

“Perhaps it is sometimes easier to write a cheque than to go and do something else about it; the money can put on a big show to some extent.” (Organisation CPD1)

Moreover, five organisational participants explicitly challenged the view that donations to the community instantly imply the fulfilment of a responsibility. They believe the whole concept of CSR to be much more than just the traditional minor donation to a local charity. It certainly involves the normative pressure that these organisations believe to be a good business practice and the appropriate thing to do. This is also echoed in one of the most important concepts in Taoism, which is ‘Give a man a fish and you feed him for a day. Teach him how to fish and you feed him for a lifetime’ (Lao-Tzu).

Another viewpoint gleaned from the interviews is that an organisation’s responsibilities to the local community should extend to communities in any location an organisation operates in. An organisational participant from one of the energy companies provided an example of exactly what he meant by ‘extended responsibility’:

“I think the SER is a report that systematically organises the social and environmental events that we participate in over the years. It is a communication tool between us and our stakeholders; specifically, it can be used to communicate with the community around us. For example, On August 1st, we successfully purchased a 91% shareholding in Peru Copper, which was listed in Canada. In 2007, we obtained the development permit for the Aurukun bauxite project in Australia; the top ten copper companies being our competitors at that time. I think the main reason for our success in obtaining the development permit was that we are a responsible enterprise, our activities fulfill social responsibilities and we make efforts in resource saving, environmental protection, and human orientation. We have sent out the message that we will be socially and environmentally responsible to the Australian local community around the copper mine, and we care about the community wherever we go.” (Organisation E6).

Last but not least, a few organisational participants made reference to the influences from and responsibilities to consumer groups and suppliers. This view was expressed particularly by the organisational participants from the medium sized sample organisations and those that operate in highly competitive sectors, such as the food and

beverage industry. The references to responsibilities to customers were almost always brief, and there appeared to be no desire on the part of the organisational participants to expand further on the exact nature of the responsibilities owed. One exception was the response given from an organisational participant from an electricity generation organisation; they believe that, although one of their direct stakeholders is the central government, underlying this are the consumer groups. The organisational participant further explained that the consumers could have the power to influence the government's decisions, so that the government could suggest that the organisation make certain sacrifices to meet the needs of the consumers. However, other comments made by organisational participants were very superficial:

“We definitely have a responsibility to our customers.” (Organisation FB2)

“Consumers’ expectations sometimes can be hard to meet, but it is really important for us to at least try to satisfy them.” (Organisation M3)

Only one possible link between the influence of consumer groups and SER practices was pointed out by one of the organisational participants from a dairy company. He believes that SERs could be used as an effective tool for communication between them and their customers; this had been an influential factor when they were considering whether to adopt SER practices, a couple of years ago.

“Competition is too intense around us. Anything we do to be a responsible company might just help us to win new customers.” (Organisation FB3)

Nevertheless, his view was not supported by many others. A contrary view was expressed by a number of organisational participants—they believe that, despite product boycotts or the increase in people's consciousness, a lot of consumers would still look at the price of the product as their primary concern over many others.

A topic of the discussion made reference to suppliers or partners. However, as with customers, little elaboration was made on how exactly suppliers and partners influence the organisations' decisions to adopt CSR and SER practices. Although three organisational participants made reference to how they deal with the relationship between themselves and their business partners, they all emphasised the mutual impact this could have should a third-party get involved in their business. One of the organisational participants specifically made reference to the impact on them being a responsible organisation:

“There is this programme going on that we would call ‘the chain/staircase effects’. We certainly think that we, our suppliers and our clients would be in the same boat should an accident happen. Should a negative event involve us, it would affect the relationship between us and the suppliers or the clients. So acting responsibly is not just for our own sake.” (Organisation E2: Interviewee A)

Similarly, an organisational participant from one of the banks made reference to their corporate image; that they are really careful when it comes to selecting their business partners.

“I think that who we do business with sometimes represents who we are. If we give a loan to an organisation with unethical business practices, it would not reflect well on us. It definitely works both ways. If we do not behave responsibly, then who would want to do business with us?” (Organisation BF3)

Despite the very brief discussion on how this impacts on the sample organisations' decisions to report, the perspective was offered of this involving self-evident pressures arising from the actions of others, and SER practices may have been initiated partly because of the benefits of compliance outweighing the costs.

7.2.3 Peers and Competitors

Peers and competitors have been identified as important factors by many organisational participants and their influence was perceived by all, to different degrees. However, there was, for most, a more subtle interplay of mimetic and normative isomorphism at play. On one hand, most of the organisational participants feel that their peers/competitors might address a social or environmental issue in order to gain competitive advantage, by putting pressure on other organisations to be responsive by mimicking their practice. On the other hand, while SER practices are seen to be an appropriate response to the pursuit of CSR, they were mostly an automatic response in the context of a CSR-related differentiation strategy, which could lead the reporting organisations to stand out from their peers/competitors. At the same time, organisational participants are concerned about the negative effects on them that might result from their peers'/competitors' actions.

“If there are organisations doing something completely different to us, in terms of social and environmental responsible practices... we can either catch up with them or risk giving out a very negative image.” (Organisation BF5: Interviewee B)

Moreover, peer influence is associated with some of the traditional norms in Chinese culture; in particular, the mimetic isomorphic pressure exerted by peers/competitors is a reflection of an important aspect of Confucianism, in which Confucius emphasised learning from each other: *“By three methods we may learn wisdom: first, by reflection, which is the noblest; second, by imitation, which is the easiest; and third, by experience, which is the bitterest.”* This reflects the viewpoint expressed earlier; that imitation is achieved through mimetic isomorphism and that learning by experience could be a result of normative isomorphic pressure.

7.2.4 Media and Public Attention

The predominance of CSR achievements and transgressive organisational actions in dealing with social and environmental issues both draw the attention of the media and the general public. Organisational participants felt this could no longer be ignored. Their views on this tended to be influenced by experience. High profile organisations are among those most likely to be exposed to the media and the public. On one hand, there is a perception that organisations may have been forced to defend certain socially and environmentally related practices or to offer more evidence of them due to pressures generated by increased public and media attention. This is also a possible motivational factor for organisations to report. Moreover, the organisational participants from the domestic private organisations mentioned the negative image of them perceived by the media and the general public. They have been portrayed as being less responsible and more profit driven companies. Thus, they feel the need to provide related information to change any misperceptions in this respect. However, the media and the general public could also have a positive influence on the sample organisations. This was illustrated by an organisational participant pointing out that media and public pressure keeps them alert to potential social and environmental concerns. Being aware of media and public attention on certain issues can influence an organisation to take precautions to avoid making the same mistakes made by others.

7.2.5 Personal Influence of the Professional Network

The influence of the CEOs and the boards of directors in promoting SER practices was recognised as a normative isomorphic pressure by the organisational participants. This was seen in their direct intervention in or their influence on corporate culture. Organisational participants appear to feel that the personal influence of the top brass of

an organisation can sometimes translate into various CSR activities and responsibilities. Two of the organisational participants gave explicit explanations concerning this point. One of them claimed that their decision to adopt SER practices was largely due to the influence of their former CEO, who was particularly concerned with social responsibility issues, especially supporting the local education system, which spread right down through the organisation. The other organisational participant, working in a smaller sized, family-owned organisation, feels that, over time, it has developed an ethos and culture promoting a form of corporate conscience and a responsible attitude.

7.3 SER and CSR – Rationales for their existence

Despite the various perspectives regarding the motivational factors underpinning SERs discussed in the previous chapter, a number of organisational participants recognised the connection between engaging in some form of CSR activities and adopting SER practices. This led them to speculate as to why organisations might engage in CSR in this context and adopt SER practices. Besides all the motivational factors that have been discussed in the previous chapter (Chapter six), an additional theme, recognised by a number of organisational participants during the interviews, is corporate image. At this point in time in China, corporate image and public relations are becoming much more important for many organisations than they had been in the past couple of decades, particularly during the economic reform period. 16 organisational participants believe CSR to be intended as a means to put across a certain view or image of the corporation. It could, for example, be seen as a way of promoting a benign image of the business:

“It is only natural for any of us to want to be and be seen as good organisations, responsible employers, valuable members of society and so

much more... hopefully, being involved in CSR activities and putting it in a few paragraphs [in the SER] is going to make people understand us more". (Organisation FB1)

"This [publishing SERs] is good for us and also for society. In a way, society must recognise the contribution that we are making to it". (Organisation M4)

From the interviews, the views of five organisational participants' show that they believe that CSR could be used as a public relations exercise, and that it has the potential to lead to direct commercial benefits:

"With the concerns on our operation's impact on sensitive environmental issues, I think it is important to let them [the public] know that we are not actually damaging the environment, which we are trying to do all this kind of stuff. At the same time, I suppose you could call this is as a bit of advertising, a public relations exercise." (Organisation CPD1)

"There are people out there who use it [SER] as a marketing strategy for promoting their service or products. I think that, if you can get a caring message right across, it might be able to influence society and it may help the organisational performance." (Organisation BF4: Interviewee D)

For a couple of sample organisations, the organisational participants emphasised on the time that they needed before adopting SER practices. During the interviews, the participants from these sample organisations expressed the view that they believed it was helpful that they took time to wait and make sure that a social and environmental scheme they had engaged in had not negatively impacted their core operational practice before choosing to disclose it. One organisational participant also said it was important for them to be certain that their social and environmental programmes and schemes would fit into their operation and to observe others before taking anything further:

"...it was good to understand the public perception or image of it [our CSR scheme], as well as how others had done it." (Organisation E3: Interviewee B)

Moreover, there was an increasing concern about the reflection that SERs could have on an organisation's social and environmental performance. Also, there was a debate in the interviews about the possibility that a SER could be viewed as being more about perception than reality. Three organisational participants from the sample State Owned Enterprises (SOEs) explicitly worried whether, given the apparent public relations emphasis, SERs could in fact reflect actual social and environmental responsibility practices. They believe some organisations could easily claim to be responsible companies by putting in some kind of programme dealing with the environment and safety at work practice, by putting themselves out there to join social and environmental responsibility activities or by giving donations to various emergency events.

“We are a very committed organisation, and we are very careful about the issues that have been disclosed in the reports [SERs]. We intend to be honest and accurate about our behaviour and practice.” (Organisation E7)

“I think there possibly are some organisations that do [social and environmental responsibility practices] as little as possible, but are just good with clever words. Is anything actually as good as it looks, behind the scenes?” (Organisation E1)

In contrast, a few Domestic Private Enterprises (DPEs) questioned the privileges that a SOE could receive. They believe that, in comparison to them, SOEs can easily find the extra resources to contribute to their SER practices.

“They [SOEs] make those really fancy reports [SERs], some of them can even afford to get international third party assurance for their reports. I think it is obvious those are the kind that attract attention.” (Organisation FB1)

“It is hard for us to compete with them [SOEs], to produce a report like theirs is way too costly. Also the shareholders' money is not that flexible to be used somewhere else rather than in investment.” (Organisation M5)

Basically, the issues discussed above, in terms of the evolution of CSR and SER practices, could be summarised as: from unconscious disclosures to unconscious

practices without disclosure and eventually to conscious practices and conscious disclosure. The conscious practices and conscious disclosure lead to some further issues, which will be discussed in the following section.

7.4 The Positive and the Negative

Further to the discussion presented in the previous chapter, there is an increase in public and industrial awareness of the social and environmental impacts that organisations have on society as a whole. At the same time, organisations themselves place increased attention on their own actions towards their social and environmental responsibilities. This increased awareness on both sides has not only had an impact on the decisions of some organisations (the number is increasing) to disclose social and environmental information and to release SERs, but has also had an influence on the perception of organisations in terms of CSR and SER. What is more, as was discussed in the previous chapters, a SER has been used as a medium of communication by disclosing social and environmental information. However, the sample organisations considered that SERs could be used for more than just as communication tools, and not only for the purpose of sharing social and environmental information.

Some organisational participants, predominantly from the socially and environmentally sensitive sample organisations, pointed out, during the interviews, that they use their SER to respond to the increased tension between their actions and social and environmental issues. They have to be particularly alert regarding these matters and respond through engaging in SER practices:

“In our [SER] report, we have always tried to be as clear as possible about whatever we are doing. People, the whole society, are very, very conscious of the society and the environment; everyone likes to know where they stand, even five to ten years ago it was not such a big issue, I think it is becoming more and more of an issue... people in general are more socially and environmentally aware and more media attention is being focused on it.” (Organisation M1)

“Corporate responsibility has become a far more significant issue over the last ten years, especially environmental responsibility for us. Nowadays, before we can start digging [taking on any new project], one of the first things we need to do is make sure that there are no potential environmental problems, next is the control of emission levels and the use of waste management... and, for that reason, environmental disclosure has become much more essential for us”. (Organisation E2: Interviewee A)

Three organisational participants identified the fact that SERs have been used in their organisations as a management tool for socially and environmentally responsible behaviour. These three sample organisations are among the earlier reporters, and with the SER experience gained, they feel that they have taken a step further with the report. These organisations see it as a useful tool and an opportunity to manage their internal practices, through the collection of information for the report, the promotion of CSR concepts within the organisation, the organisation of company-wide CSR activities and so on.

“Our [SER] report was not put together by just a couple of people. In fact, we have a whole team working on the various CSR programmes and preparing the report. We also took this chance to have the individual persons in charge to take on the responsibility and promote CSR activities in their departments. While we are collecting CSR information from each of those departments within the organisation, the department itself is using the information as an internal control to monitor their performance.” (Organisation E5: Interviewee B)

“We have our own corporate responsibility structure as we like to call it a ‘spider’s web’ structure. This structure allows multiple-way communication within our organisations. On one hand, we have someone from our board of directors working with the CSR department to draw a broad plan for the CSR activities; on the other hand, we encourage everyone in the company to participate [in the CSR activities] and to contribute their ideas towards our CSR plans.” (Organisation BF1)

Moreover, a few organisational participants went further, regarding the key point discussed above. Speaking for their organisations, which have a labour intensive orientation, these organisational participants believe that SERs are used as an opportunity for them to address employees. On one hand, specific information disclosed in the SERs can be used as a means of expressing company attitudes to, and treatment of, their existing employees generally. On the other hand, the message sent out to the public can be a reflection of the organisation's practices, and its positive effect can be a factor to attract potential employees.

“It [the SER] can make our employees feel more part of the company... it can make others want to be part of an organisation that takes corporate responsibility seriously.” (Organisation M5: Interviewee B)

“A lot of companies [report, as they] have large labour forces and are conscious of the various social implications for their employees.” (Organisation FB2)

Last, but not least, there is one more key opinion which was expressed by several participants from the sample organisations, across different industrial sectors and geographical locations: that, to some extent, the adoption of SER practices helps organisations to move forward and to be more responsible. One of the factors is that being a listed company means that the information flow becomes more transparent, organisation tends to disclose social and environmental information in their SERs. In a way, organisations have to match their behaviour to their words. The disclosures made by the organisations act as standards for them to follow and they need to make sure that their behaviour is consistent with the things that have been disclosed within the SERs.

“There is no point in making certain disclosures about our organisational practices, and then to behave differently in the real world. It is risky to play the ‘chance card’, people will notice that you have been telling stories in the SERs.” (Organisation CPD3)

“We cannot keep making the same disclosures about our achievement in terms of social and environmental responsibility. Therefore, I think making progress is the most important part of the process. SER gives us the pressure to move forward, so we can have new things to report.” (Organisation BF2)

However, contrary to the above point, a few organisational participants questioned SER practices, which are considered to have possible negative impacts on their organisations. Firstly, it was felt that CSR tends to leave companies open to attack or negative feedback. This can occur if the experienced reality of individuals does not live up to the expectations produced by the CSR. Also reporting in one year might make it difficult not to report in other years. It is felt that companies might be setting themselves up as hostages to fortune by engaging in any form of CSR.

“We only released our first [SER] report earlier this year, but we are already preparing for next year’s report. This [the decision of publishing the SERs] is something we have been considering and preparing for a long time, not something we rushed into. It is like a promise that you need to keep.” (Organisation BF5: Interviewee A)

“If you decide to do it [publishing SERs], you might as well do it right. This is not a one-off, and we know what we are in for.” (Organisation CPD2)

“I cannot image what would happen if we stopped publishing the SERs. But one thing for sure is that people will start questioning us, they will be like ‘what is wrong with them this year, they did it last year and are not doing it this year.’” (Organisation M1)

Secondly, a number of the issues presented in the earlier discussion, regarding the positive impacts that SERs have on an organisation, have been interpreted differently by other organisational participants. They raised the key point, during the interviews, that SERs could be double-edged swords and they brought up some potential negative impacts. One of the key arguments here is that, although SERs can be a good motivational factor for organisations to move forward, the practice can also lead to superficial organisational activities. Organisations might find themselves locked into

something which was intended as a one-off. They might then do things just to be able to report them. This can also happen sometimes when an organisation has done extremely well in one aspect, which leads to increased public expectation. The organisation will have no choice but to meet these high expectations; this can then drive the organisation to do things just for the image. For example, some organisations choose to donate to well-known projects just to increase their public exposure and to build a positive image. Apparently, this is an easy and quick way to keep up with high social expectations without putting in too much effort.

Moreover, this caused further disagreement between some of the SOEs and the DPEs. On one hand, the SOEs are suspicious of certain corporate responsibility activities that some of the DPEs claim to be participating in. The argument here is that the DPEs have been perceived to be less responsible due to their ownership structure, which makes people think they are more profit driven. Organisations can take advantage of publicity and SERs are considered as one of the tools. On the other hand, two of the DPEs expressed their concerns, during the interviews, that the SOEs have easier access to their funds; therefore they can put on a big show of the donations. Moreover, due to the ownership structure, with the chief executive officer usually being in charge for a five year period, the activities he instigates or the money he decides to spend on CSR may have a short-term impact, but in the long run, he will not be the one held to account:

“Firstly, we have to get permission to raise the budget that we want to spend on CSR activities, because, at the end of the day, it is shareholders money. More so, we started as a family business, and everything we do is to sustain our business life. I have to say it is not so easy for us to splash cash on fancy events.”
(Organisation CPD1)

There were a couple of additional points identified during the interviews. Despite all the sample companies having participated in many social and environmental related activities, such as poverty relief, philanthropy, support education, green action plans, reducing energy consumption and emissions and so on, most of the interviewees considered economic responsibility to be of the utmost importance. They are trying to use integrity and high ethical standards to guide the way their businesses operate and they strive to develop in a harmonious and sustainable way.

“When raising the subject of responsibility, although many people may think that the enterprise should participate in philanthropic project and should donate money, I disagree! The most important responsibility of any enterprise is to behave responsibly towards society. In a way, we need to make sure that we are developing in a long-term sustainable fashion. At the very least, we are not asking for help from society. Rather, we have the opportunity to bring benefits to that society.” (Organisation M2)

“We should contribute to the growth of the economy as a whole and through proactive efforts we are trying to promote a harmonious environment. People can actually benefit from our sustainable development. Firstly, we need to be responsible for our own performance on the basis that we are not harming society. As an enterprise, we have the responsibility to contribute to economic growth. In other words, if we did not perform well, we could go bankrupt, and then society would be left to deal with the mess we leave. At the very least, therefore, economic responsibility is required.” (Organisation E6)

Among Chinese companies, the interviewees believe that corporate social responsibility is specially affected by Chinese characteristics. Although, CSR standards are the same here in China as in the western countries, the ways to achieve them are quite different. CSR has a wider scope in China, as stated earlier. China has its own unique situation, and the companies are required to show responsibility in many ways.

“For example, in many developed countries, trade unions are very powerful and a lot of labour issues have been dealt through trade union and collective

bargaining. In China, trade unions serve a different focus, thus, we have to handle many of the labour problems ourselves.” (Organisation M3)

“As Chinese enterprises, we have wider responsibilities. Compared to the usual contribution, we need to do more. We have a variety of CSR activities addressing different areas of responsibility. For example, we build schools and libraries in rural areas and we build roads and bridges in villages where there is a shortage of transportation.” (Organisation E3: Interviewee B)

7.5 Conclusion

This chapter presents further discussion based on the interviews conducted with the organisational participants. All of them clearly recognise that organisations have social and environmental responsibilities beyond those owed to the shareholders. Responsibilities to the local community, to the consumers and to other stakeholder groups are acknowledged. These are then recognised as influential factors in the process of motivating organisations to report. The earlier discussion reveals that a number of different institutional factors interact with various organisational field conditions to shape the social and environmental report as an ‘appropriate’ ‘normal’ practice or ‘the right thing to do’ for sample organisations choosing to defend, improve or differentiate themselves. For the most part, the different isomorphisms discussed in the previous chapter (chapter 6) do not exist in isolation, but rather combine with one another to exert both internal and external pressures on organisations to report.

The next chapter looks at the implications of the research findings reported in this and the previous chapters in the light of the motivations underpinning the study and the specific research questions outlined in an earlier chapter.

Chapter Eight: Implication and Conclusion

8.1 Introduction

This PhD research study explores the underpinning reasons for Chinese organisations choosing to disclose information about their practices relating to social and environmental issues. In doing so, the study sought to understand these motivational factors through the lens of a neo-institutional theory framework. Relative to previous studies, the researcher utilised neo-institutional theory as the conceptual framework to analyse the reasons underpinning SER practices in Chinese organisations, rather than trying to test neo-institutional theory.

The preceding chapter focused on discussion about how the research aims were achieved and how the research questions were answered, followed by an outline of the key implications of the research findings. This chapter provides an overview of the research and the conclusions of these key findings, emphasises the contribution that this study has made from both empirical and theoretical perspectives, and makes suggestions for possible further research studies. The final section of this chapter points out the limitations of the present research, before concluding the thesis.

8.2 Research Overview

The Social and Environmental Report (SER) is a type of non-financial report which discloses information relating to an organisation's social and environmental performance. From initially using the annual report to disclose social and environmental

information to issuing a stand-alone SER, the history of SER practice in China is quite short. In 1999, Shell (China) Ltd. produced the first stand-alone sustainability report, independent of its annual report, in China. In the following years, the number of organisations issuing SERs grew at a relatively slow pace. In 2005, for the first time, a number of Chinese national organisations adopted SER practices and published their first SER. The Chinese central government complimented the State Grid on its published SER; Premier Wen Jiabao said, “This is well done. Corporations have to be responsible to society and subject to monitoring by society.” Since 2006, the number of SERs has been increasing dramatically, reaching a total number close to 600 by the end of 2010. Despite the fast growing trend among organisations to adopt SER practices, their nature is largely voluntary. Moreover, the reasons underlying this phenomenon were unclear and no comprehensive study had investigated the motivational factors behind SER practices in a Chinese context.

This research has sought to evidence, recognise and explain the development of SER practices in China, especially the dramatic growth seen from 2006 to the present day. It has therefore sought to investigate why SER practices were initially adopted by Chinese organisations and have evolved to become a more common practice than in the past. To answer these questions, the study adopted a qualitative methodological research approach and carried out 36 semi-structured in-depth interviews with 23 sample Chinese organisations. The data collection process involved key individuals from the sample organisations who had direct involvement in the process of preparing and producing SERs. The data was then interpreted and analysed through the use of neo-institutional theory, to explore how different institutional factors, such as normative, coercive and mimetic isomorphisms, have influenced SER practices in China.

This research reveals that there could be a number of different motivations simultaneously driving companies to produce social and environmental reports, and to assume that one particular motivation might dominate all others is unrealistic.

8.3 Conclusions on the Research Aims, Objectives and Research Questions

This PhD research study is exploratory in nature. It focuses on investigating the question: “Why do Chinese organisations choose to disclose information about their practices involving social and environmental issues?” The inspiration for the researcher to pursue this particular research question came from the uniqueness of the development of social and environmental reporting in China, especially the dramatic increase in the number of SER reporting companies in the past few years. The motivation for SER practices in various countries has already been explored by many previous studies in the social and environmental accounting field; however, the lack of research carried out in the Chinese context was a key motivation for this research study.

When countries have different economic, social, political and historical backgrounds, it is interesting and important to find out why the same SER practices have been adopted by different organisations from these different countries. One obvious concern is that each organisation has its own characteristics, and their difference in characteristics will influence organisations to perform differently. As a result, this research study paid particular attention to how different institutional factors impact on the organisations’ choices regarding SER practices. Moreover, the research focuses not only on SER practices but also on corporate responsibility development in China and the discharge of social and environmental responsibility among Chinese organisations. One may

possibly raise the question: are corporate social and environmental responsibility and SER practices new concepts in China? From the discussion in chapter five, it can be clearly seen that social and environmental responsibility issues have a long history of development in China: the idea of Chinese organisations being socially and environmentally responsible can be traced back to ancient times, to the Confucian period. In recent years, these CSR issues have been placed under the spotlight again.

Many previous research studies have been carried out using a quantitative research approach in the SEA field. Although there has been an increasing trend to qualitative-based research studies in recent years, CSR issues and SER practices are extremely complex concepts, not defined by numbers, especially when one considers the motivational factors and underlying reasons behind these practices. Given the lack of qualitative research into SER practices in China in the social and environmental accounting literature, this study can be considered as one of the first comprehensive studies to have taken a qualitative research approach by adopting the interview method through a neo-institutional lens to investigate the topic.

Social and environmental accounting practices are a complex concept, and SER development in China has been especially fast-paced and somewhat chaotic. The unique characteristics of the Chinese socio-political, economical, political and cultural background were highlighted in Chapter 5; these complex issues have influenced different Chinese organisations in their choice to adopt SER practices. In Chapters 2 and 3, a review of previous research studies showed that a number of theories have been used to explain the reasons for organisations to adopt SER practices, such as legitimacy theory, stakeholder theory and institutional theory. It also discussed a number of proposed motivational factors for SER practices in different countries. However, the

discussion of the research findings in Chapters 6 and 7 clearly shows that the development and the motivations underlying SER practices in China are far more complex and there is no single explanation for the phenomenon. More specifically, the interview narratives show that organisations within different organisational fields have taken different attitudes towards SER practices; these include different industrial sectors, geographical locations, organisation size, the historical and cultural background of an organisation and so on. Moreover, the different institutional isomorphic pressures have been felt at different levels from different organisations.

One key issue that caught the researcher's attention was the blurring of the boundaries, in practice, between coercive, mimetic and normative isomorphic pressures, with the various motivational factors identified from the interview narratives plausibly spanning two and/or three types of isomorphism. For example, one of the key motivational factors found to be underpinning SER practices is the self-regulation of trade associations, which is perceived as a coercive pressure, but which, in a different organisational field, could also fall under normative pressures. The institutional isomorphic pressures varied between the sample organisations, with different characteristics in any particular organisational field. The complex interplay and overlapping of these pressures in the real world was taken into consideration in the discussion chapter. The interview narratives show that, in China, the government and government bodies have more influential power over organisations in general than is the case in other countries. Coercive isomorphic pressure plays an important part in an organisation's decision to adopt SER practices, although most of the organisations experienced it at an early stage.

In addition, some argue that a coercive institution may exert an encouraging, rather than a regulatory, pressure. If one wishes to encourage a greater sense of corporate social responsibility or the implementation of SER practices, the findings suggest that some form of pressure on the corporate management may be necessary. However, in terms of adopting SER practices, it would appear that, unless this type of pressure has a dangerous potential to damage organisations economically or have negative effects on the organisations' image, there is very little prospect for the organisations to either be keen or to take the initiative to publish SERs. Nevertheless, this pressure works at different levels for organisations with different characteristics. For instance, coercive pressure from the government or governmental bodies has more influence on state-owned organisations, whereas the same pressure from shareholders or suppliers can have the greatest influence on domestic private companies. Similar responses to the other two types of isomorphic pressure – mimetic and normative – were identified. This perspective of this research study suggests that the exertion of only a single form of pressure will seldom persuade organisations to adopt SER practices.

Although it is not possible for anyone to generalise these perspectives, they do lead to the conclusion that any attempt to develop SER practice in China is either motivated by a regulative force or an organisation's self-interest and is controlled by the organisations, especially when promoting SER practices on a voluntary basis. The conclusion can be drawn that a combination of regulative, mimetic and normative isomorphic pressures has been identified as a key motivational factor for Chinese organisations to adopt SER practices.

One key theme which emerged through the discussion with different organisational participants was that, sometimes, organisations tend to respond to pressures differently

according to their different organisational characteristics, and SERs have been used as a response to the different isomorphic pressures that organisations perceive. This responsive action prevails over the development of true mechanisms of social and environmental accountability. SER, if developed or applied more extensively in this vein, would owe "...more to advertising, public relations and image construction than it [would] to information, accountability and transparency (Gallhofer and Haslam, 1997:158) with the danger of an organisation disclosing selective and partial social and environmental information, in accordance with its own economic self-interest.

However, there is some indication of organisations taking the public interest into account when making the decision to produce a SER. Due to the differences between the fields that organisations operate in, sometimes one organisation can be more responsible to the public interest than to its own economic benefit by providing more information to the general public about its organisational actions and practices. In this case, organisations can use SER to protect themselves from the legitimate pressures coming from society.

The future development of SERs in a Chinese context may be dependent on the attitudes and reactions of corporate management, along with more detailed considerations from relevant parties, such as the government, the general public, local communities and so on. Some of these issues were discussed by the organisational participants during the interviews and, given this research study's findings, some broad suggestions that may initiate the development of SER practices in China are discussed in the following section.

8.4 Research Contribution, Limitations and Suggestions for Future Research

8.4.1 Research Contribution

This research study makes several theoretical and empirical contributions to SER literature in general, and to SER literature related to developing countries in particular. It also makes contributions to the literature on CSR in a Chinese context. These contributions are outlined in detail in this section.

As far as the researcher is aware, to date, no prior research study had been carried out within the social and environmental accounting discipline, specifically focusing on the motivational factors underpinning SER practices among Chinese national organisations, through the lens of institutional theory. This is the first comprehensive study of SER practices in China, in that it provides the first detailed analysis of the motivational factors underpinning such practices from an institutional perspective. This analysis provides a basis for comparison with studies conducted in other developing countries as well as the numerous studies conducted in developed countries. Moreover, this research study is innovative in departing from the tradition of the quantitative discretionary measurement of SER. Instead, it takes a qualitative research approach on SER practices in a Chinese context by adopting the face-to-face semi-structured in-depth interview as the main data collecting method. This has enabled a richer explanation of the reasons behind SER practices, taking O'Dwyer's (2002) view that this research method is better than that of using only secondary data gathered by content analysis, which was widely used in many previous studies.

This research study responds to the need to add an international perspective to the social and environmental accounting literature, as expressed in a call made by Gray et al., (1996b:164) "for further research on the extent and nature of reporting practices across

countries". This research study has engaged in attempts to explicitly explain the reasons for the adoption of SER practices in a Chinese context. It has done this in two ways. Firstly, it made use of in-depth semi-structured interviews with organisational participants involved in the SER preparation process, regarding their viewpoints on SER practices. There are very few studies that take into account the personal viewpoints of the individuals who are involved in the actual SER preparation process. Thus, this research study clearly addresses an apparent gap in the current literature. Secondly, given the scarcity of evidence on the institutional perceptions of SER practices, this research study contributes to SER literature by exploring such practices from an institutional theory perspective in a Chinese context. Most prior SER research has investigated the phenomenon of SER practices from a stakeholder or legitimacy perspective. Given the importance of social and organisational influence in the decision making related to SER practices, it is important to examine the social and institutional factors in order to understand the motivation behind them.

Finally, largely due to the Chinese business culture, the conducting of face-to-face in-depth interviews in China is very rare in the social and environmental accounting discipline, and there are very few interview-based studies in China. Therefore, before this research study, it was thought that it would be impossible to carry out interviews on this topic within China, because it was considered highly unlikely that people would respond to an interview request. However, by succeeding in obtaining face-to-face interviews within the Chinese context to look at these accountability issues, this research makes the contribution of showing that this type of research method can be applied within the Chinese context. Although several difficulties were encountered while interviewing organisational participants during the research (See Chapter Four), the researcher adapted her interview skills to ensure that the interview method would

work within the Chinese context. This contribution may not be applicable to all different literatures, since the interview method was previously used in many other management research disciplines, but it could certainly inspire further researchers in the social and environmental accounting field.

8.4.2 Reflections on Social and Environmental Reporting Literature and Neo-institutional Theory

Social and environmental reporting practices remain of topical interest due to their inconsistency across business and national contexts, the question of their various drivers and motivational factors, and their potential role as social accountability mechanisms (see, for example, Gray, 2010; Mahadeo et al., 2011; Owen, 2008). Neo-institutional theory has recently emerged to provide an additional, or complimentary, socio-political explanation of SER practices. As with any developments in theory, the power of neo-institutional theory for understanding aspects of social and environmental reporting behaviour needs to be demonstrated through empirical studies. Furthermore, SER evidence from emerging economies remains limited (De Villiers and Van Staden, 2006), although it has been growing, primarily within the Asian region (see, for example, Amran and Devi, 2008; Eljido-Ten et al., 2010; Islam and Deegan, 2008). Encouraged and informed by the above factors, this PhD study investigated the motivational factors underpinning SER practices in China. This study thereby documented the recent initiation of SER practices in an emerging economy. It also explored the changes in disclosure practices from the perspective of the neo-institutional theoretical framework.

This section of the concluding chapter highlights how the empirical insights from this thesis complement and/or contradict key insights in the existing academic literature (as

discussed earlier in the thesis), and then reflects upon how useful neo-institutional theory was in helping derive these insights.

8.4.2.1 Reflections on Social and Environmental Reporting Literature

Although in recent years SER has been considered as an increasingly global activity, it has a greater presence in western developed countries than in less developed countries. Within the SEA literature, various SER issues have been investigated by previous research studies, for example: the scope and content of social and environmental disclosures that have been provided by organisations (see, for example, Blacconiere and Patten, 1994; Brigham and Ehrhardt, 2010; Unerman and O'Dwyer, 2010); the type of stakeholder groups to whom the social and environmental disclosures have been directed (see, for example, Owen, 2005; Unerman and Bennett, 2004; Unerman et al., 2007); and how SERs have been compiled, in terms of their format (see, for example, Bebbington et al., 2008; Engels, 2009; Freedman and Stagliano, 2008). However, the question of *what drives the business community to increasingly disclose social and environmental related information* still remains unclear, especially in developing countries.

Most explanations for why organisations disclose social and environmental related information emphasise, on the one hand, accountability motivations. This was revealed in a research study by O'Dwyer et al., (2005) who provide evidence of widespread demand for SERs among Irish NGOs, primarily driven by a desire for accountability. Similar findings have been reflected in a recent cross-country research study by de Villiers and van Staden (2006) who reveal that in Australia, the UK and the US, individual shareholders demand environmental disclosures because they believe that organisations should be held accountable for their environmental impacts. However,

this PhD research study revealed a more complicated condition among the Chinese sample organisations than is apparent in these two previous studies. An accountability motivation cannot therefore be used to fully explain the initiation of SER practices in China. The results of this PhD research study indicated that rather than being purely an economically-rational activity, various institutions interact with different organisational conditions to shape SER practice as an “appropriate” activity or “the right thing to do” for organisations wishing to differentiate themselves according to, or by appealing to notions of, corporate social and environmental responsibility.

Within the literature, there are also a large number of studies that emphasise legitimacy motivations underlying SER (as indicated in Chapter two). Research studies carried out by Hogner (1982); Patten (1992) and Deegan and Rankin (1996), for example, have all revealed legitimacy influences associated with social and/or environmental disclosure practices. However, the results of this PhD research study offer an alternative perspective that emphasises a stronger role for the social context in the initiation of SER practice in China than is provided by legitimacy theory alone. Different levels of institutional pressure were felt within different organisational fields and influenced by organisational dynamics.

The results provided and analysed in this PhD research study show that the initiation of SER practices in China can be explained by an argument, or theoretical development, that social and environmental information tends to be disclosed both in response to demands from government or regulatory bodies in the form of coercive pressure (see, for example, Boden, 1999; Jackobs and Kemp, 2002), as well as from non-regulatory or social institutions in the form of mimetic and normative pressures (see, for example, Tilt, 1994). While some regulatory-type institutions were evident in the empirical results for

this thesis, coercive pressure was described as “encouragement” rather than “force” in many places. A subtle mixture and interplay of mimetic and normative isomorphism has therefore been identified in this thesis, where SER practice was “automatically” adopted in pursuing the “fit in” positioning strategy. These findings are consistent with, and thereby reinforce, an earlier research study by Bebbington et al., (2009) that indicates for a number of particular organisations in New Zealand, the reasons to engage in SER practice appear not to be simply a rational choice, rather it is a mix of normative and cognitive institutions, whereas coercive pressure was not strongly felt.

These insights from this PhD study therefore shed new light on the motivational factors underpinning SER practices. Many sample Chinese organisations are highly sensitive to their peers’ behaviour and practices and therefore, as identified by Jennings and Zanderbergen (1995), mimetic isomorphism is a very important explanation for encouraging SER practice. As Scott (1995) implies, while coercive isomorphism may increase the incidence of SERs, it is likely to be relatively superficial compliance. This was consistent with insights provided by several organisational participants during the interviews in this PhD study (see chapter six).

This PhD research study has also added fruitful insights to the limited SEA literature in China. In a study, Lynn (1992) found that a very low number of companies (only six per cent of his sample) reported social information in Hong Kong. He noted that staff development accounted for the majority of these, while environmental issues were the least common. However the results from this PhD study showed that two decades later, environmental issues have now become one of the primary concerns in the sample organisation in Hong Kong.

8.4.2.2 Reflections on the Use of Neo-institutional Theory

In deriving the empirical insights discussed above, neo-institutional theory has provided a useful lens through which to view and analyse the motivational factors that have influenced the sample Chinese organisations to adopt SER practices. On the one hand, this study argues and demonstrates that neo-institutional notions overlap with legitimacy and stakeholder theory because they are all influenced by and influence society. On the other hand, the neo-institutional framework provides a more refined but complementary perspective to both legitimacy and stakeholder theory.

Compared with legitimacy theory, stakeholder theory and the other institutional theories reviewed in chapters two and three, neo-institutional theory represents a convergence on the various themes suggested by both old and new institutionalism and represents an overlap between legitimacy theory and stakeholder theory. In particular, neo-institutional theory provided an excellent basis to account for and help explain complex organisational change (the initiation of SER practices) as it pays special attention to the link between organisational contexts and organisational practices and offers a more detailed account of the different influences and degrees of power of institutional factors. In certain respects, the research findings reflect on the notion of neo-institutional theory, but they also reveal some interesting variations (see chapter six and seven). This neo-institutional framework was thereby helpful in deriving novel insights from the research study in two specific respects:

Firstly, different types of institutional pressures, such as coercive, mimetic and normative isomorphism, were considered within the same framework, rather than placing an emphasis on just one or two aspects. The neo-institutional framework also helped to explain competitive, legitimating and powerful stakeholders' influences in

terms of the initiation of SER practices in China. Where SER practices are concerned, different organisations within different organisational fields face different pressures and have different motivations to disclose their social and environmental information. For example, government regulation/policy can coerce organisations into adopting SER practices; a large manufacturing company can request its suppliers/partners to disclose certain social- and environmental-related information; companies in a particular industrial sector tend to be more willing to mimic other companies' practices than other firms in another industry; some firms collaborate more closely with market associations and are more adaptive to external suggestions; some senior managers had previously been educated and professionally trained on corporate social and environmental responsibility issues.

Secondly, the theoretical framework deals more directly with the dynamics of external influences on the initiation of SER practices among the sample Chinese organisations. On one hand, by focusing on the organisational field level, neo-institutional theory provides a foundation for the analysis of the external factors affecting social and environmental reporting practices. On the other hand, the importance of internal factors is also recognised. The theoretical framework does not overlook human power and interest. How human power and interest are involved in promoting social and environmental disclosure can be further investigated within this theoretical framework by paying attention to the different factors affecting intraorganisational dynamics.

Overall, neo-institutional theory can therefore be considered to have been a valuable tool within this thesis for the understanding of major aspects of social and environmental reporting behaviour. In particular, as mentioned earlier, the key findings in this research study have been interpreted through the lens of institutional

isomorphism (coercive, mimetic and normative isomorphism). The idea of the organisational field has helped to focus the analysis by exploring how an organisation experiences different isomorphic pressures in different organisational fields.

When investigating the motivational factors underpinning SER practices through the lens of neo-institutional theory, this PhD research study has shown how neo-institutional theory needs to be adapted in certain ways when it is applied to social and environmental research in China. For example, the particular features of Chinese culture should receive more attention. Also, the three isomorphic pressures suggested by neo-institutional theory should not be treated as isolated elements in this case. In practice, the research findings highlight a blurring of the boundaries between different isomorphic pressures, with the various motivational factors plausibly spanning two and/or three types of isomorphism. This also means that neither of the isomorphic pressures dominates the others. Any attempt to further develop SER practices in China would have to be made by means of addressing and taking into account a combination of these factors.

For over 40 years, social and environmental accounting research has continued to develop and grow in the accounting literature. With growing social and environmental concerns, SEA research is moving from the margins of accounting literature to centre stage (Parker, 2011a). Reviews of prior SEA literature (Mathews, 1997; Owen, 2008; Parker, 2011a,) indicate that the majority of the existing literature is dominated by researchers from the U.K., North American and Australasian regions. In recent years, vibrant research cultures are starting to be seen within emerging economies. Developing countries present a number of economic, political and social characteristics that are different from those of developed countries. It is important to investigate the influence

of these characteristics on the initiation of SER practices. However, very limited research studies have been carried out in emerging economies.

Country specific studies, like this PhD, provide useful and detailed insights. They also add to the international SEA literature in its attempts to explain the initiation of SER practices in China. This study makes use of in-depth interviews with senior managers involved in the SERs preparation process regarding their perspectives on SER practices in China. The study clearly addresses a gap in the literature and also provides useful information for future research studies to be carried out in China.

In conclusion and based upon the above discussion, this PhD research study has contributed to the SEA literature by adding rich empirical insights from a developing country and adopting a neo-institutional theoretical framework.

8.4.3 Limitations of the Research

Due to the nature of this research and as most of the data was collected through semi-structured in-depth interviews; it cannot make any claims to generalise SER practices in China as a whole. One would expect to find other Chinese organisations taking different approaches to SER practices, not captured by this research study.

The sample of organisations selected for this research was based on availability and on those who responded to the interview request. Although the narratives gathered from these sample organisations have certainly provided detailed explanations for their SER practices, this sample cannot claim to be representative of all Chinese national organisations. Therefore, the understanding of SER practices generated by this research is peculiar to the sample Chinese organisations.

Moreover, this research study focuses on the presence of SER by taking into account the perceptions of organisations that have already adopted SER practices. It may be argued that in order to develop a fuller and richer understanding of SER practices, it would be important to critically examine organisations currently abstaining from SER practices and the organisational motives behind their abstinence.

8.4.4 Suggestion for Future Research

Due to the lack of research into SER practices in the context of developing countries in general, and of China in particular, there are many potential avenues for future research. Given the broad description of the research contributions in earlier sections, one avenue for future research could be to focus more closely on how the various stakeholders' perceptions and institutional factors influence the SER decision making process. For example, qualitative and quantitative research methods could be combined to obtain precise statistics, as well as richer explanations for the perceptions of SER practices from different stakeholders, such as the government, community and pressure groups and so on. These perspectives could then be compared and contrasted and a general set of proposed responses may emerge.

Also, because of the limited time period in which this research study was carried out, no claim could be made of having studied the various factors over a long period of time. A comprehensive longitudinal study over a long time period might help to understand how SER practices have developed in China over time, thus providing explanations of different aspects.

This research study paid particular attention to those organisations which have already adopted SER practices. To gain a better and fuller understanding of such practices in a

Chinese context, future research could take a look at the perceptions of those organisations that are abstaining from SER practices. This way, the views of SER practitioners and SER non-practitioners could offer a richer and deeper understanding of the development of SER. Moreover, future research studies could also adopt a case-study approach, by undertaking an investigation of more than one aspect of the SER practices within a single organisation, to gain a richer understanding.

Last, but not least, due to the lack of research studies in the area of SER practices in developing countries, this study calls for further research in SER practices to focus on other developing countries and to take an international perspective.

8.5 Conclusion

This chapter summarised and concluded the findings of the research study. Firstly, it demonstrated explicitly how the research findings gathered within the thesis worked to address the research aims and objectives. Secondly, based on these findings, it summarised the contributions that this research makes to various aspects of the extant SER literature both empirically and theoretically. It then attempted to suggest some implications and potential directions for possible future research studies and indicated the limitations of the present study. Despite its limitations, the researcher believes that this thesis addresses its initial aims and objectives, fills a gap in the extant literature and makes a valid contribution to knowledge in the field.

Bibliography

- ABBOTT, W. F. and MONSEN, R. J. 1979. On the measurement of corporate social responsibility: self-reported disclosures as a method of measuring corporate social involvement. *The Academy of Management Journal*, 22, 501-515.
- ABZUG, R. and MEZIAS, S. J. 1993. The fragmented state and due process protections in organizations: The case of comparable worth. *Organization Science*, 433-453.
- ADAMS, C. 2002. International organisational factors influencing social and ethical reporting: beyond current theorising. *Accounting, Auditing and Accountability Journal*, 15, 223-250.
- ADAMS, C. and FROST, G. R. 2004. *The development of corporate web-sites and implications for ethical, social and environmental reporting through these media*, Edinburgh, Institute of Chartered Accountants of Scotland.
- ADAMS, C. A. & HARTE, G. 1998. The changing portrayal of the employment of women in British banks' and retail companies' corporate annual reports. *Accounting, Organizations and Society*, 23, 781-812.
- ADAMS, C., HILL, W. and ROBERTS, C. 1998. Corporate social reporting practices in Western Europe: Legitimizing corporate behaviour? *The British Accounting Review*, 30, 1-21.
- ADAMS, C. A. and LARRINAGA-GONZÁLEZ, C. 2007. Engaging with organisations in pursuit of improved sustainability accounting and performance. *Accounting, Auditing and Accountability Journal*, 20, 333-355.
- ADAMS, C. A. and WHELAN, G. 2009. Conceptualising future change in corporate sustainability reporting. *Accounting, Auditing and Accountability Journal*, 22, 118-143.
- AMRAN, A. and DEVI, S. S. 2008. The impact of government and foreign affiliate influence on corporate social reporting: The case of Malaysia. *Managerial auditing journal*, 23, 386-404.
- ART, R. C. and GU, M. 1995. China Incorporated: The First Corporation Law of the People's Republic of China. *Yale J. Int'l L.*, 20, 273.
- AUDRETCH, D. 1989. *The market and state: Government policy towards business in Europe, Japan and the United States*. Harvester, Wheatsheaf, New York.
- AWIO, G., NORTHCOTT, D. and LAWRENCE, S. 2011. Social capital and accountability in grass-roots NGOs: The case of the Ugandan community-led HIV/AIDS initiative. *Accounting, Auditing and Accountability Journal*, 24, 63-92.
- BALL, A. 2005. Environmental accounting and change in UK local government. *Accounting, Auditing & Accountability Journal*, 18, 346-373.
- BALL, A. 2007. Environmental accounting as workplace activism. *Critical Perspectives on Accounting*, 18, 759-778.
- BALL, A. and GRUBNIC, S. 2007. Sustainability accounting and accountability in the public sector. In J. Unerman, J. Bebbington, and B. O'Dwyer (Eds.), *Sustainability accounting and accountability*, 243-265. Oxon: Routledge.
- BARBOZA, D. 2010. China passes Japan as second-largest economy. *The New York Times*, 15.
- BARLEY, S. R. and TOLBERT, P. S. 1997. Institutionalization and structuration: Studying the links between action and institution. *Organization studies*, 18, 93.
- BARNEY, J. 1991. Firm resources and sustained competitive advantage. *Journal of management*, 17, 99.

- BARON, D. P. 2007. Corporate social responsibility and social entrepreneurship. *Journal of Economics and Management Strategy*, 16, 683-717.
- BAXTER, J. A. & CHUA, W. F. 1998. Doing field research: practice and meta-theory in counterpoint. *Journal of Management Accounting Research*, 10, 69-88.
- BEAMS, F. A. and FERTIG, P. E. 1971. Pollution control through social cost conversion. *The Journal of Accountancy*, 132(5), 37-42.
- BEBBINGTON, J. 2001. Sustainable development: a review of the international development, business and accounting literature. *Accounting Forum*, 25, 128.
- BEBBINGTON, J., GRAY, R. and OWEN, D. 1999. Seeing the wood for the trees: taking the pulse of social and environmental accounting. *Accounting, Auditing and Accountability Journal*, 12, 47-52.
- BEBBINGTON, J. 2009, "An introduction to climate change and its implications", in A sustainable future for the UK, Public Management and Policy Association: London.
- BEBBINGTON, J., HIGGINS, C., and FRAME, B., 2009, "Initiating sustainable development reporting: Evidence from New Zealand", *Accounting, Auditing and Accountability Journal*, 22(4), 588-625
- BEBBINGTON, J., LARRINAGA-GONZÁLEZ, C. and MONEVA-ABADÍA, J. M. 2008. Legitimizing reputation/the reputation of legitimacy theory. *Accounting, Auditing and Accountability Journal*, 21, 371-374.
- BELAL, A. R. 2001. A study of corporate social disclosures in Bangladesh. *Managerial auditing journal*, 16, 274-289.
- BELAL, A. R. and ROBERTS, R. W. 2010. Stakeholders' Perceptions of Corporate Social Reporting in Bangladesh. *Journal of business ethics*, 1-14.
- BELIVEAU, B., COTTRILL, M. and O'NEILL, H. M. 1994. Predicting corporate social responsiveness: A model drawn from three perspectives. *Journal of business ethics*, 13, 731-738.
- BENSTON, G. J. 1982. Accounting and corporate accountability. *Accounting, Organizations and Society*, 7, 87-105.
- BERELSON, B. 1952. Content analysis in communication research.
- BERGER, P. L. and LUCKMANN, T. 1967. *The social construction of reality*, Doubleday New York.
- BERNSTEIN, R. J. 1983. *Beyond objectivism and relativism: Science, hermeneutics, and praxis*, University of Pennsylvania Press.
- BERTHRONG, J. 2003. From Xunzi to Boston Confucianism. *Journal of Chinese philosophy*, 30, 433-450.
- BLACCONIERE, W. G. & PATTEN, D. M. 1994. Environmental disclosures, regulatory costs, and changes in firm value. *Journal of Accounting and Economics*, 18, 357-377.
- BLUMBERG, B. COOPER, D. and SCHINDLER, P. 2005. *Business research methods*, McGraw-hill education London.
- BODEN, R. 1999, Figure it out yourself: financial reporting, accountability and the self-employed. *Critical Perspectives in Accounting*. 10(1), 37-64.
- BRAMALL, C. 2008. *Chinese economic development*, Taylor and Francis.
- BRIGHAM, E. F. & EHRHARDT, M. C. 2010. *Financial management theory and practice*, South-Western Pub.
- BROADBENT, J. and LAUGHLIN, R. 1997. Developing empirical research: an example informed by a Habermasian approach. *Accounting, Auditing and Accountability Journal*, 10, 622-648.

- BRUNDTLAND, G. H. 1987. World Commission on Environment and Development. *Our common future*, 8-9.
- BRYMAN, A. 2001. *Social research methods*, CSIRO.
- BRYMAN, A. and TEEVAN, J. J. 2004. *Social research methods*, Oxford university press Oxford.
- BUHR, N. 2002. A structuration view on the initiation of environmental reports. *Critical Perspectives on Accounting*, 13, 17-38.
- BUHR, N. 2007. Histories of and rationales for sustainability reporting. *Sustainability accounting and accountability*, 57-69.
- BUHR, N. and FREEDMAN, M. 2001. Culture, institutional factors and differences in environmental disclosure between Canada and the United States. *Critical Perspectives on Accounting*, 12, 293-322.
- BURCHELL, S., CLUBB, C., HOPWOOD, A., HUGHES, J. and NAHAPIET, J. 1980. The roles of accounting in organizations and society. *Accounting, Organizations and Society*, 5, 5-27.
- BURGESS, R. G. 1982. The unstructured interview as a conversation. *Field research: A sourcebook and field manual*, 107-10.
- BURRELL, G. and MORGAN, G. 1979. *Sociological paradigms and organisational analysis*, London: Heinemann.
- CAI, F., WANG, D. & DU, Y. 2002. Regional disparity and economic growth in China: The impact of labor market distortions. *China Economic Review*, 13, 197-212.
- CAMPBELL, D., CRAVEN, B. and SHRIVES, P. 2003. Voluntary social reporting in three FTSE sectors: a comment on perception and legitimacy. *Accounting, Auditing and Accountability Journal*, 16, 558-581.
- CAMPBELL, D. and SLACK, R. 2006. Public visibility as a determinant of the rate of corporate charitable donations. *Business Ethics: A European Review*, 15, 19-28.
- CAMPBELL, D. J. 2000. Legitimacy theory or managerial reality construction? Corporate social disclosure in Marks and Spencer Plc corporate reports, 1969–1997. *Accounting Forum*, 24(1) 80-100.
- CAMPBELL, J 2007, "Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility", *Academy of Management Review*, 32(3): 946-967.
- CARPENTER, V. L. and FERROZ, 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*, 26, 565-596.
- CHAN, G. K. Y. 2008. The relevance and value of Confucianism in contemporary business ethics. *Journal of business ethics*, 77, 347-360.
- CHAPPLE, W. and MOON, J. 2005. Corporate social responsibility (CSR) in Asia. *Business and Society*, 44, 415.
- CHIA, R. and HOLT, R. 2006. Strategy as practical coping: a Heideggerian perspective. *Organization studies*, 27, 635.
- CHILD, J., LU, Y. and TSAI, T. 2007, "Institutional entrepreneurship in building an environmental protection system for the People's Republic of China." *Organization Studie*. 28(7): 1013-1034.
- CHOW, G. C. & LI, K. W. 2002. China's Economic Growth: 1952–2010*. *Economic Development and Cultural Change*, 51, 247-256.
- CHURCHMAN, C. W. 1971. *The design of inquiring systems: Basic concepts of systems and organization*, Basic Books.

- CLARKE, F. L., DEAN, G. W. and OLIVER, K. G. 1997. *Corporate collapse : regulatory, accounting and ethical failure*, Cambridge, U.K ; New York, Cambridge University Press.
- CLARKSON, M. B. E. 1995. A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review*, 92-117.
- COIACETTO, E. 2007. Development industry structure into the global era: The challenge for planning, cities and sustainability. *Australian Planner*. 44(3), 51-63.
- COOPER, S. M. and OWEN, D. L. 2007. Corporate social reporting and stakeholder accountability: The missing link. *Accounting, Organizations and Society*, 32, 649-667.
- CORMIER, D., GORDON, I. M. and MAGNAN, M. 2004. Corporate Environmental Disclosure: Contrasting Management's Perceptions with Reality. *Journal of business ethics*, 49, 143-165.
- COVALESKI, M. A. and DIRSMITH, M. W. 1988. An institutional perspective on the rise, social transformation, and fall of a university budget category. *Administrative Science Quarterly*, 33, 562-587.
- COVALESKI, M. A. & DIRSMITH, M. W. 1990. Dialectic tension, double reflexivity and the everyday accounting researcher: on using qualitative methods. *Accounting, Organizations and Society*, 15, 543-573.
- COWEN, S. S., FERRERI, L. B. and PARKER, L. D. 1987. The impact of corporate characteristics on social responsibility disclosure: A typology and frequency-based analysis. *Accounting, Organizations and Society*, 12, 111-122.
- CRESWELL, J. W. 2009. *Research design: Qualitative, quantitative, and mixed methods approaches*, Sage Publications, Inc.
- DAI XIN-HUA and ZHANG QIANG, 2006, Internal Information Disclosure by Listed Banks in China: International Experience and Paths to Take; Finance Forum. (8)
- DAUD, A. and ZONG, Y. 2008. An overview of the construction industry in China.
- D'AUNNO, T., SUTTON, R. I. and PRICE, R. H. 1991. Isomorphism and external support in conflicting institutional environments: A study of drug abuse treatment units. *Academy of Management Journal*, 636-661.
- DAWKINS, C. and NGUNJIRI, F. W. 2008. Corporate social responsibility reporting in South Africa. *Journal of Business Communication*, 45, 286.
- DE VILLIERS, C. and VAN STADEN, C. J. 2006. Can less environmental disclosure have a legitimising effect? Evidence from Africa. *Accounting, Organizations and Society*, 31, 763-781.
- DEEGAN, C. 2004. Environmental disclosures and share prices: a discussion about efforts to study this relationship. *Accounting Forum*, 28(1), 87-97.
- DEEGAN, C. and GORDON, B. 1996. A study of the environmental disclosure practices of Australian corporations. *Accounting and Business Research*, 26, 187-199.
- DEEGAN, C. and RANKIN, M. 1996. Do Australian companies report environmental news objectively?: An analysis of environmental disclosures by firms prosecuted successfully by the Environmental Protection Authority. *Accounting, Auditing and Accountability Journal*, 9, 50-67.
- DEEGAN, C., RANKIN, M. and VOGHT, P. 2000. Firms' disclosure reactions to major social incidents: Australian evidence. *Accounting Forum*. 24(1), 101-130.
- DEEGAN, C. and UNERMAN, J. 2006. *Financial accounting theory*, Maidenhead, McGraw-Hill Education.

- DEEGAN, C. and UNERMAN, J. 2011. *Financial Accounting Theory*, Maidenhead, McGraw Hill.
- DEEGAN, C. E. 2002. Introduction: the legitimising effect of social and environmental disclosures - a theoretical foundation. *Accounting, Auditing and Accountability Journal*, 15, 282-331.
- DEEGAN, C. E., RANKIN, M. and TOBIN, J. 2002. An examination of the corporate social and environmental disclosures of BHP from 1983-1997, a test of legitimacy theory. *Accounting, Auditing and Accountability Journal*, 15, 312-343.
- DELBRIDGE, R. and EDWARDS, T. 2007. Reflections on developments in institutional theory: Toward a relational approach. *Scandinavian Journal of Management*, 23, 191-205.
- DELMAS, M., MONTES SANCHO, M. J. and SHIMSHACK, J. P. 2010. Information disclosure policies: Evidence from the electricity industry. *Economic Inquiry*, 48, 483-498.
- DENZIN, N. & LINCOLN, Y. 2003. *Collecting and Interpreting Collective Materials*. Thousand Oaks, CA: Sage.
- DILLARD, J. F., RIGSBY, J. T. and GOODMAN, C. 2004. The making and remaking of organization context: Duality and the institutionalization process. *Accounting, Auditing and Accountability Journal*, 17, 506-542.
- DELLIOS, R., YANG, X. & YILMAZ, N. K. 2009. Food Safety and the Role of the Government: Implications for CSR Policies in China. *Blended Change Management: Concept and Empirical Investigation of Blending Patterns*, 75.
- DIMAGGIO, P. J. and POWELL, W. W. 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American sociological review*, 48, 147-160.
- DOBBIN, F. 1994. Cultural models of organization: The social construction of rational organizing principles. *The sociology of culture*, 117-42.
- DONALDSON, T. and PRESTON, L. E. 1995. The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20, 65-91.
- DOWLING, J. and PFEFFER, J. 1975. Organizational legitimacy: Social values and organizational behavior. *The Pacific Sociological Review*, 18, 122-136.
- DU, S. BHATTACHARYA, CB, SEN,S. 2010, "Maximizing business returns to corporate social responsibility (CSR): the role of CSR communication. *International Journal of Management Review*, 12(1), 8-19.
- EASTERBY-SMITH, M., THORPE, R. and LOWE, A. 2002. *Management research: An introduction*, Sage Publications Ltd.
- EESLEY, C. and LENOX, M. J. 2006. Firm responses to secondary stakeholder action. *Strategic Management Journal*, 27, 765-781.
- ELIJIDO-TEN, E., KLOOT, L. and CLARKSON, P. 2010. Extending the application of stakeholder influence strategies to environmental disclosures: An exploratory study from a developing country. *Accounting, Auditing and Accountability Journal*, 23, 1032-1059.
- ELKINGTON, J. 1993. Coming clean: The rise and rise of the corporate environment report. *Business Strategy and the Environment*, 2, 42-44.
- ENGELS, A. 2009. The European Emissions Trading Scheme: An exploratory study of how companies learn to account for carbon. *Accounting, Organizations and Society*, 34, 488-498.

- ETZION, D. and FERRARO, F. 2010. The role of analogy in the institutionalization of sustainability reporting. *Organization Science*, 21, 1092-1107.
- EZZAMEL, M., ROBSON, K., STAPLETON, P. and MCLEAN, C. 2007. Discourse and institutional change: 'Giving accounts' and accountability. *Management Accounting Research*, 18, 150-171.
- FAN, Y. 2009. Corporate communications in china: A preliminary study. International Corporate Identity Group (ICIG) Symposium.
- FARNETI, F. and GUTHRIE, J. 2009. Sustainability reporting by Australian public sector organisations: Why they report. *Accounting Forum*, 33(2) 89-98.
- FLIGSTEIN, N. 1993. *The transformation of corporate control*, Harvard University Press.
- FREEDMAN, M. & STAGLIANO, A. 2008. Accountability and emissions allowance trading: Lessons learned from the US electric utility industry. *Social and Environmental Accountability Journal*, 28, 62-77.
- FREEMAN, R. E. and MCVEA, J. 2001. A stakeholder approach to strategic management. *The Blackwell handbook of strategic management*, 189-207.
- FREEMAN, R. E. and REED, D. L. 1983. Stockholders and stakeholders: A new perspective on corporate governance. *California management review*, 25, 88-106.
- FRIEDLAND, R. and ALFORD, R. R. 1991. Bringing society back in: Symbols, practices, and institutional contradictions. *The new institutionalism in organizational analysis*, 232-263.
- FRIEDMAN, M. 1962. *Capitalism and Freedom*, Chicago: University of Chicago. Press.
- FRIEDMAN, A. L. and MILES, S. 2002. Developing stakeholder theory. *Journal of Management Studies*, 39, 1-21.
- GALLHOFER, S. and HASLAM, J. 1997. The direction of green accounting policy: critical reflections. *Accounting, Auditing and Accountability Journal*, 10, 148-174.
- GAO, S.S., HERAVI, S., and XIAO, J.Z. 2005, Determinants of corporate social environmental reporting in Hong Kong: A research note. *Accounting Forum*, 29, 233-242.
- GHERARDI, S. and NICOLINI, D. 2000. To transfer is to transform: the circulation of safety knowledge. *Organization*, 7, 329.
- GILL, J. and JOHNSON, P. 2002. *Research methods for managers*, Sage Publications Ltd.
- GRANOVETTER, M. 1985. Economic action and social structure: the problem of embeddedness.
- GRANT, D. S. 1997. Allowing citizen participation in environmental regulation: An empirical analysis of the effects of right-to-sue and right-to-know provisions on industry's toxic emissions: Research on the environment. *Social Science Quarterly*, 78, 859-873.
- GRAY, R. 2000. Current developments and trends in social and environmental auditing, reporting and attestation: a review and comment. *International Journal of Auditing*, 4, 247-268.
- GRAY, R. 2001. Thirty years of social accounting, reporting and auditing: what (if anything) have we learnt? *Business Ethics: A European Review*, 10, 9-15.
- GRAY, R. 2010. Is accounting for sustainability actually accounting for sustainability... and how would we know? An exploration of narratives of organisations and the planet. *Accounting, Organizations and Society*, 35, 47-62.
- GRAY, R.H., BEBBINGTON, K.J. and WALTERS, D. 1993, *Accounting for the*

- Environment: The Greening of Accountancy Part II*, Paul Chapman, London.
- GRAY, R. and BEBBINGTON, J. 2000. Environmental accounting, managerialism and sustainability: is the planet safe in the hands of business and accounting? *Advances in Environmental Accounting and Management*, 1, 1-44.
- GRAY, R., DEY, C. and OWEN, D. 1996a. *Struggling with the praxis of social accounting : stakeholders, accountability, audits and procedures*, University of Dundee, Department of Accountancy and Business Finance.
- GRAY, R., DEY, C., OWEN, D., EVANS, R. and ZADEK, S. 1997. Struggling with the praxis of social accounting: Stakeholders, accountability, audits and procedures. *Accounting, Auditing and Accountability Journal*, 10, 325-364.
- GRAY, R., DILLARD, J. and SPENCE, C. 2010. 2 A Brief Re-Evaluation of “The Social Accounting Project”. *Social Accounting and Public Management: Accountability for the Public Good*, 5, 11.
- GRAY, R. H., KOUHY, R. and LAVERS, S. 1995a. Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing and Accountability Journal*, 8, 47-77.
- GRAY, R., OWEN, D. and ADAMS, C. 1996b. *Accounting and accountability: Social and environmental accounting in a changing world*. Hemel Hempstead: Prentice Hall..
- GRAY, R., OWEN, D. and MAUNDERS, K. T. 1987. *Corporate social reporting : accounting and accountability*, Englewood Cliffs ; London, Prentice-Hall International.
- GRAY, R., OWEN, D. L. & MAUNDERS, K. 1991. Accountability, corporate social reporting and the external social audits. *Advances in Public Interest Accounting*, 4, 1-21.
- GRAY, R., WALTERS, D., BEBBINGTON, J. and THOMPSON, I. 1995b. The greening of enterprise: an exploration of the (non) role of environmental accounting and environmental accountants in organizational change. *Critical Perspectives on Accounting*, 6, 211-239.
- GUBA, E. G. and LINCOLN, Y. S. 1994. Competing paradigms in qualitative research. *Handbook of qualitative research*, 2, 163-194.
- GUILLÉN, M. F. 1994. *Models of management: Work, authority, and organization in a comparative perspective*, University of Chicago Press.
- GUO, P., ZHANG, X. and WEI, N. 2010. Study of sustainability reporting in China: a journey to discover values. Syntao publisher.
- GUOQIANG, L., ZADEK, S. and WICKERHAM, J. 2009. Advancing Sustainable Competitiveness of China’s Transnational Corporations. *DRC/AccountAbility*.
- GUTHRIE, J. and ABEYSEKERA, I. 2006. Content analysis of social, environmental reporting: what is new? *Journal of Human Resource Costing and Accounting*, 10, 114-126.
- GUTHRIE, J., CUGANESAN, S. and WARD, L. 2008. Industry specific social and environmental reporting: The Australian Food and Beverage Industry. *Accounting Forum*. 24, 1-15.
- GUTHRIE, J. and PARKER, L. D. 1990. Corporate social disclosure practice: a comparative international analysis. *Advances in Public Interest Accounting*, 3, 159–176.
- GUTHRIE, J., PETTY, R., YONGVANICH, K. & RICCERI, F. 2004. Using content analysis as a research method to inquire into intellectual capital reporting. *Journal of Intellectual Capital*, 5, 282-293.

- HACKLEY, C. E. 2003. *Doing research projects in marketing, management and consumer research*, Psychology Press.
- HACKSTON, D. and MILNE, M. J. 1996. Some determinants of social and environmental disclosures in New Zealand companies. *Accounting, Auditing and Accountability Journal*, 9, 77-108.
- HAN, Z., WEI, Y., JIAO, J., FAN, Y. and ZHANG, J. 2004. On the Cointegration and Causality between Chinese GDP and Energy Consumption. *Systems Engineering*, 12.
- HAN, F. & ZHANG, Z. 2009. Analysis of Accounting Disclosure Mode for Strengthening Corporate Social Responsibility. *International Journal of Business and Management*, 3(1),157-175.
- HARDWICK, J. 1991. Learning to Live with Green Law. *International Financial Law Review*, 3-6.
- HASNAS, J. 1998. The normative theories of business ethics: a guide for the perplexed. *Business Ethics Quarterly*, 19-42.
- HEARD, J. E. and BOLCE, W. J. 1981. The political significance of corporate social reporting in the United States of America. *Accounting, Organizations and Society*, 6, 247-254.
- HEERWAGEN, J. 2000. Green buildings, organizational success and occupant productivity. *Building research and information*, 28, 353-367.
- HESS, D. & DUNFEE, T. W. 2007. The Kasky-Nike threat to corporate social reporting: Implementing a standard of optimal truthful disclosure as a solution. *Business Ethics Quarterly*, 17, 5.
- HEUGENS, P. P. and LANDER, M. W. 2009. Structure! Agency!(and other quarrels): A meta-analysis of institutional theories of organization. *The Academy of Management Journal*, 52, 61-85.
- HITCHENS, D., THANKAPPAN, S., TRAINOR, M., CLAUSEN, J. & DE MARCHI, B. 2005. Environmental performance, competitiveness and management of small businesses in Europe. *Journal of Economic and Social Geography*. 96, 541-557.
- HOFFMAN, A. J. 1999. Institutional evolution and change: Environmentalism and the US chemical industry. *The Academy of Management Journal*, 42, 351-371.
- HOFFMAN, A. J., RILEY, H. C., TROAST, J. G. and BAZERMAN, M. H. 2002. Cognitive and institutional barriers to new forms of cooperation on environmental protection. *American Behavioral Scientist*, 45, 820.
- HOGNER, R. H. 1982. Corporate social reporting: eight decades of development at US Steel. *Research in Corporate Performance and Policy*, 4, 243-250.
- HOLM, P. 1995. The dynamics of institutionalization: Transformation processes in Norwegian fisheries. *Administrative Science Quarterly*, 40, 398-422.
- HOLSTI, O. R. 1969. *Content analysis for the social sciences and humanities*, Addison-Wesley Reading, MA.
- HOPPER, T. and POWELL, A. 1985. Making sense of research into the organizational and social aspects of management accounting: A review of its underlying assumptions [1]. *Journal of Management Studies*, 22, 429-465.
- HOPWOOD, A. G., UNERMAN, J. and FRIES, J. 2010. *Accounting for sustainability : practical insights*, London ; Washington, DC, Earthscan.
- HUANG, C. L., and KUNG, F.H. 2010. Drivers of environmental disclosure and stakeholder expectation: Evidence from Taiwan. *Journal of Business Ethics*, 96, 435-451
- HUBERMAN, A., MILES, M., DENZIN, N. & LINCOLN, Y. 1994. Handbook of qualitative research. *Handbook of qualitative research*. Sage London

- HUFF, A. S. 1982. Industry influences on strategy reformulation. *Strategic Management Journal*, 3, 119-131.
- HUSSEY, J. and HUSSEY, R. 1997. *Business Research: A practical guide for undergraduate and postgraduate students*, Macmillan, Basingstoke.
- IP, P. O. K. 2005. Developing medical ethics in China's reform era. *Developing World Bioethics*, 5, 176-187.
- IP, P. K. 2008. Corporate social responsibility and crony capitalism in Taiwan. *Journal of business ethics*, 79, 167-177.
- IP, P. K. 2009. Is Confucianism good for business ethics in China? *Journal of business ethics*, 88, 463-476.
- IP, P. K. 2009. The challenge of developing a business ethics in China. *Journal of business ethics*, 88, 211-224.
- ISLAM, M. A. and DEEGAN, C. 2008. Motivations for an organisation within a developing country to report social responsibility information: Evidence from Bangladesh. *Accounting, Auditing and Accountability Journal*, 21, 850-874.
- JACKOBS, K., and KEMP, J. 2002. Exploring accounting presence and absence: case studies from Bangladesh. *Accounting, Auditing and Accountability Journal*. 15(2):143-161
- JAMALI, D. and MIRSHAK, R. 2007. Corporate social responsibility (CSR): theory and practice in a developing country context. *Journal of business ethics*, 72, 243-262.
- JARZABKOWSKI, P. 2005. *Strategy as practice: An activity-based approach*, Sage Publications Ltd.
- JÄRVENPÄÄ, M. 2009. The institutional pillars of management accounting function. *Journal of Accounting and Organizational Change*, 5, 444-471.
- JEFFERSON, G. H. and RAWSKI, T. G. 1994. Enterprise reform in Chinese industry. *The journal of economic perspectives*, 8, 47-70.
- JEN, J. 1997. *China's economic performance in an international perspective*, Organization for Economic.
- JENKINS, H. and YAKOVLEVA, N. 2006. Corporate social responsibility in the mining industry: Exploring trends in social and environmental disclosure. *Journal of Cleaner Production*, 14, 271-284.
- JENNINGS, P. D. and ZANDBERGEN, P. A. 1995. Ecologically sustainable organizations: An institutional approach. *The Academy of Management Review*, 20, 1015-1052.
- JIN, S., ZHOU, J. and YE, J. 2008. Adoption of HACCP system in the Chinese food industry: A comparative analysis. *Food Control*, 19, 823-828.
- JONES, M. 1999. The institutional determinants of social responsibility. *Journal of business ethics*, 20, 163-179.
- JONES, M. J. & XIAO, J. Z. 2003. Internet reporting: Current trends and trends by 2010. *Accounting Forum*. 27(2), 132-165.
- JOSE, A. and LEE, S. M. 2007. Environmental reporting of global corporations: A content analysis based on website disclosures. *Journal of business ethics*, 72, 307-321.
- KIRKMAN, P. and HOPE, C. 1992. Environmental disclosure in UK company annual reports.
- KUHN, T. 1962. *The Theory of Scientific Revolutions*. University of Chicago Press: Chicago.

- KURY, K. W. 2007. Decoupled earnings: An institutional perspective of the consequences of maximizing shareholder value. *Accounting Forum*, 31(4) 370-383.
- KOLK, A. 2003. Trends in sustainability reporting by the Fortune Global 250. *Business Strategy and the Environment*, 12, 279-291.
- KOLK, A. 2005. Environmental reporting by multinationals from the Triad: convergence or divergence? *MIR: Management International Review*, 145-166.
- KRIPPENDORFF, K. 1980. Content analysis: An introduction. Beverly Hills, CA: Sage.
- KRIPPENDORFF, K. 2004. Reliability in content analysis. *Human Communication Research*, 30, 411-433.
- KUO, L., YEH, C.C. and YU, H.C. 2011. Disclosure of Corporate Social Responsibility and Environmental Management: Evidence from China. *Corporate Social Responsibility and Environmental Management* 331-370.
- KWAN, A. C. C., WU, Y. and ZHANG, J. 1999. Fixed investment and economic growth in China. *Economics of planning*, 32, 67-79.
- LAI, B. and SLATER, D. 2006. Institutions of the offensive: Domestic sources of dispute initiation in authoritarian regimes, 1950–1992. *American Journal of Political Science*, 50, 113-126.
- LAPSLEY, I. & MUSSARI, R. 2008. The significance of local government. *Financial Accountability & Management*, 24, 207-208.
- LARRINAGA, C 2007, "Sustainability reporting: insights from neo-institutional theory" in Unerman, J., Bebbington, J. and O'Dwyer, B. (Eds), *Sustainability Accounting and Accountability*, Routledge, London.
- LARRINAGA-GONZALEZ, C. and BEBBINGTON, J. 2001. Accounting change or institutional appropriation?--A case study of the implementation of environmental accounting. *Critical Perspectives on Accounting*, 12, 269-292.
- LAUGHLIN, R. C. 1991. Environmental disturbances and organizational transitions and transformations: some alternative models. *Organization studies*, 12, 209.
- LAUGHLIN, R. C. 1995. Empirical research in accounting: alternative approaches and a case for "middle-range" thinking. *Accounting, Auditing and Accountability Journal*, 8, 63-87.
- LAVE, J. and WENGER, E. 1991. *Situated learning: Legitimate peripheral participation*, Cambridge university press.
- LAWRENCE, P. R. and LORSCH, J. W. 1967. Differentiation and integration in complex organizations. *Administrative Science Quarterly*, 1-47.
- LEAVY, B. 1994. The craft of case-based qualitative research. *Irish Business and Administrative Research*, 15, 105-18.
- LEVINE, M. A. 2008. China's CSR Expectations Mature'. *China Business Review*, 35, 50-53.
- LEWIS, L. and UNERMAN, J. 1999. Ethical relativism: a reason for differences in corporate social reporting? *Critical Perspectives on Accounting*, 10, 521-547.
- LI, J., FU, P. P., CHOW, I. & PENG, T. 2002. Societal development and the change of leadership style in Oriental Chinese societies. *Journal of Developing Societies*, 18, 46.
- LI, Y. and PENG, M. W. 2008. Developing theory from strategic management research in China. *Asia Pacific Journal of Management*, 25, 563-572.
- LI, KE and XU, XIAOJUN 2006. The trade unions in enterprises from the workers' vision. *China Institute of Industrial Relations* 20: 48-52 (in Chinese).

- LINDBLOM, C. 1994. The implications of organizational legitimacy for corporate social performance and disclosure.
- LINOWES, D. F. 1972. Socio-economic accounting. *Journal of Accountancy*, 133, 37-42.
- LIU, W. and HUANG, G. 2002. Challenges for China's Banks Reform: Ownership Structure or Market Structure. *Economic Research Journal*, 8.
- LOUNSBURY, M. 2008. Institutional rationality and practice variation: New directions in the institutional analysis of practice. *Accounting, Organizations and Society*, 33, 349-361.
- LOUNSBURY, M. and VENTRESCA, M. J. 2002. *Social structure and organizations revisited*, 19, 3-36.
- LU, J. W. 2002. Intra-and Inter-Organizational Imitative Behavior: Institutional Influences on Japanese Firms Entry Mode Choice. *Journal of International Business Studies*, 33, 19-37.
- LU, X. 2009. A chinese perspective: business ethics in china now and in the future. *Journal of business ethics*, 86, 451-461.
- LU, X. and ENDERLE, G. (Eds) 2006, *Developing Business Ethics in China*, Palgrave Macmillan, New York, NY
- LU, Y., TAO, Z. & WANG, Y. 2010. Union effects on performance and employment relations: Evidence from China. *China Economic Review*, 21, 202-210.
- LYNN, M. 1992. A note on corporate social disclosure in Hong Kong. *The British Accounting Review*, 24, 105-110.
- MAGNESS, V. 2006. Strategic posture, financial performance and environmental disclosure: an empirical test of legitimacy theory. *Accounting, Auditing and Accountability Journal*, 19, 540-563.
- MAHADEO, J. D., OOGARAH-HANUMAN, V. and SOOBAROYEN, T. 2011, Changes in social and environmental reporting practices in an emerging economy (2004-2007): Exploring the relevance of stakeholder and legitimacy theories. *Accounting Forum*, 35(3), 158-175
- MAIGNAN, I. and RALSTON, D. A. 2002. Corporate social responsibility in Europe and the US: Insights from businesses self-presentations. *Journal of International Business Studies*, 33, 497-514.
- MARCH, J. G. and OLSEN, J. P. 1989. *Rediscovering institutions: The organizational basis of politics*, Free Press.
- MARGINSON, S. 2009. The new global landscape of nations and institutions. *Higher Education to*, 20 (3), 17-62.
- MARGOLIS, J. D. and WALSH, J. P. 2003. Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48, 268-305.
- MARQUIS, C., GLYNN, M. A. and DAVIS, G. F. 2007. Community isomorphism and corporate social action. *The Academy of Management Review*, 32, 925-945.
- MARSHALL, C. & ROSSMAN, G. B. 1995. Data collection methods. *Designing qualitative research*, 78-107.
- MATHEWS, M. R. 1984. A suggested classification for social accounting research. *Journal of Accounting and Public Policy*, 3, 199-221.
- MATHEWS, M. R. 1997. Twenty-five years of social and environmental accounting research: is there a silver jubilee to celebrate? *Accounting, Auditing and Accountability Journal*, 10, 481-531.
- MATHEWS, M. R. and PERERA, M. H. B. 1993. *Accounting theory and development*, South Melbourne, Nelson.

- MATTEN, D. and MOON, J. 2005. Corporate social responsibility. *Journal of business ethics*, 54, 323-337.
- MAYKUT, P., MOREHOUSE, R. 1994. *Beginning qualitative research: A philosophic and practical guide*, Routledge.
- MCKEE, M. C., MILLS, A. J. and WEATHERBEE, T. 2005. Institutional field of dreams: Exploring the AACSB and the new legitimacy of Canadian business schools. *Canadian Journal of Administrative Sciences*, 22, 288-301.
- MCWILLIAMS, A. and SIEGEL, D. 2001. Corporate social responsibility: A theory of the firm perspective. *The Academy of Management Review*, 26, 117-127.
- MEYER, J. W. and ROWAN, B. 1977. Institutionalized organizations: Formal structure as myth and ceremony. *The American journal of sociology*, 83, 340-363.
- MEYER, J. W. & ROWAN, B. 1991. Institutionalized organizations: formal structure as myth and ceremony. In: POWELL, Walter W, DIMAGGIO, Paul J., eds. *The new institutionalism in organizational analysis*. Chicago: The University of Chicago, 41-62.
- MEYER, J. W. and SCOTT, W. R. 1983. *Organizational environments: Ritual and rationality*, Sage, Beverly Hills.
- MEYER, J. W. and SCOTT, W. R. 1985. *organizational environments: Ritual and rationality, 3rd edn. 1st edn 1983.*, Beverly Hills, CA, Sage.
- MEZIAS, S. J. 1990. An institutional model of organizational practice: Financial reporting at the Fortune 200. *Administrative Science Quarterly*, 431-457.
- MILES, M. B. 1979. Qualitative data as an attractive nuisance: The problem of analysis. *Administrative Science Quarterly*, 24, 590-601.
- MILES, R. E., SNOW, C. C., MEYER, A. D. and COLEMAN JR, H. J. 1978. Organizational strategy, structure, and process. *Academy of Management Review*, 546-562.
- MILLER, W. R. & THORESEN, C. E. 2003. Spirituality, religion, and health: An emerging research field. *American Psychologist*, 58, 24.
- MILNE, M. and PATTEN, D. 2002. Securing organizational legitimacy: an experimental decision case examining the impact of environmental disclosures. *Accounting, Auditing and Accountability Journal*, 15, 372-405.
- MILNE, M. J. and ADLER, R. W. 1999. Exploring the reliability of social and environmental disclosures content analysis. *Accounting, Auditing and Accountability Journal*, 12, 237-256.
- MINTZBERG, H. 1983. *Structure in fives: Designing effective organizations*, Prentice-Hall Englewood Cliffs, NJ, USA.
- MIZRUCHI, M. S. and FEIN, L. C. 1999. The social construction of organizational knowledge: A study of the uses of coercive, mimetic, and normative isomorphism. *Administrative Science Quarterly*, 44, 653-683.
- MIZRUCHI, M. S., MARIOLIS, P., SCHWARTZ, M. and MINTZ, B. 1986. Techniques for disaggregating centrality scores in social networks. *Sociological Methodology*, 16, 26-48.
- MOBLEY, S. C. 1970. The challenges of socio-economic accounting. *The accounting review*, 45, 762-768.
- MOBUS, J. L. 2005. Mandatory environmental disclosures in a legitimacy theory context. *Accounting, Auditing and Accountability Journal*, 18, 492-517.
- MOHAMMED, A. and HILL, W. 1996. Environmental Disclosures in UK Annual Reports (Reflecting the Influence of Company Size and Industrial Sensitivity). Working paper, Glasgow Caledonian University.

- MOHR, J. W. 1998. Measuring meaning structures. *Annual review of sociology*, 345-370.
- MOON, J. & SHEN, X. 2010. CSR in China research: salience, focus and nature. *Journal of business ethics*, 94, 613-629.
- MORGAN, G. & SMIRCICH, L. 1980. The case for qualitative research. *Academy of Management Review*, 491-500.
- NORRIS, G. & O'DWYER, B. 2004. Motivating socially responsive decision making: the operation of management controls in a socially responsive organisation. *The British Accounting Review*, 36, 173-196.
- MOUCK, T. 2004. Institutional reality, financial reporting and the rules of the game. *Accounting, Organizations and Society*, 29, 525-541.
- NÄSI, J., NÄSI, S., PHALLUS, M. and ZYGLIDOPOULOS, S. 1997. The evolution of corporate social responsiveness: an exploratory study of Finnish and Canadian forestry companies. *Business and Society*, 36, 296-321.
- NEU, D. and OCAMPO, E. 2007. Doing missionary work: the World Bank and the diffusion of financial practices. *Critical Perspectives on Accounting*, 18, 363-389.
- NEU, D., WARSAME, H. and PEDWELL, K. 1998. Managing Public Impressions: Environmental Disclosures in Annual Reports. *Accounting, Organizations and Society*, 23, 265-282.
- NEUMAN, W. L. 2010. *Social Research Methods: Quantitative and Qualitative Methods*, Allyn and Bacon.
- NEWSON, M. and DEEGAN, C. 2002. Global expectations and their association with corporate social disclosure practices in Australia, Singapore, and South Korea. *The International Journal of Accounting*, 37, 183-213.
- NICOLINI, D., GHERARDI, S. and YANOW, D. 2003. *Knowing in organizations: A practice-based approach*, ME Sharpe Inc.
- NORTH, D. C. 2009. *Institutions, institutional change and economic performance*, Cambridge university press.
- NORTH D. C. 1990. *Institutions, institutional change and economic performance*. *Combridge University Pres.*
- O'DONOVAN, G 2002. Environmental disclosures in the annual report: Extending the applicability and predictive power of legitimacy theory. *Accounting, Auditing and Accountability Journal*, 15(3), 344-371.
- O'DWYER, B. 2002. Managerial perceptions of corporate social disclosure: an Irish story. *Accounting, Auditing and Accountability Journal*, 15, 406-436.
- O'DWYER, B. and UNERMAN, J. 2007. From functional to social accountability: Transforming the accountability relationship between funders and non-governmental development organisations. *Accounting, Auditing and Accountability Journal*, 20, 446-471.
- O'DWYER, B., UNERMAN, J. and BRADLEY, J. 2005. Perceptions on the emergence and future development of corporate social disclosure in Ireland: Engaging the voices of non-governmental organisations. *Accounting, Auditing and Accountability Journal*, 18, 14-43.
- O'DWYER, B., UNERMAN, J. & HESSION, E. 2005. User needs in sustainability reporting: Perspectives of stakeholders in Ireland. *European Accounting Review*, 14, 759-787.
- OLIVER, C 1991, "Strategic responses to institutional processes", *Academy of Management Review*, 16, 145-179

- OLIVER, C. 1997. Sustainable competitive advantage: Combining institutional and resource-based views. *Strategic Management Journal*, 18, 697-713.
- ORLIKOWSKI, W. J. 2008. Using technology and constituting structures: A practice lens for studying technology in organizations. *Resources, Co-Evolution and Artifacts*, 255-305.
- OWEN, D. 2005. CSR after Enron: A Role for the academic accounting profession? *European Accounting Review*, 14, 395-404.
- OWEN, D. 2008. Chronicles of wasted time? A personal reflection on the current state of and future prospects for, social and environmental accounting research. *Accounting, Auditing and Accountability Journal* 27(2), 240-242
- OWEN, D., O'DWYER, B. and INTERNATIONAL CENTRE FOR CORPORATE SOCIAL RESPONSIBILITY 2004. *Assurance statement quality in environmental, social and sustainability reporting : a critical evaluation of leading edge practice*, Nottingham, International Centre for Corporate Social Responsibility.
- OWEN, D. L., SWIFT, T. and HUNT, K. 2001. Questioning the role of stakeholder engagement in social and ethical accounting, auditing and reporting. *Accounting Forum*, 25(3), 264-282.
- PALMER, D. A., JENNINGS, P. D. and ZHOU, X. 1993. Late adoption of the multidivisional form by large US corporations: Institutional, political, and economic accounts. *Administrative Science Quarterly*, 38, 100-131.
- PARKER, L. D. 2005. Social and environmental accountability research: A view from the commentary box. *Accounting, Auditing and Accountability Journal*, 18(6), 842-860.
- PARKER, L. D. 2011a. Twenty-one years of social and environmental accountability research: A coming of age. *Accounting Forum*. 35, 1-10
- PARKER, L. D. 2011b. Building bridges to the future: mapping the territory for developing social and environmental accountability. *Social and Environmental Accountability Journal*, 31, 7-24.
- PATTEN, D. M. 1990. The market reaction to social responsibility disclosures: The case of the Sullivan principles signings.. *Accounting, Organizations and Society*, 15, 575-587.
- PATTEN, D. M. 1991. Exposure, legitimacy, and social disclosure. *Journal of Accounting and Public Policy*, 10, 297-308.
- PATTEN, D. M. 1992. Intra-industry environmental disclosures in response to the Alaskan oil spill: a note on legitimacy theory. *Accounting, Organizations and Society*, 17, 471-475.
- PATTEN, D. M. 2002. The relation between environmental performance and environmental disclosure: a research note. *Accounting, Organizations and Society*, 27, 763-773.
- PATTON, M. Q. 1990. *Qualitative education and research methods*. Newbury Park, CA: Sage.
- PATTON, M. Q. 2002. Two decades of developments in qualitative inquiry. *Qualitative Social Work*, 1, 261.
- PERRIN, T. 2008. Closing the engagement gap: A road map for driving superior business performance. *Towers Perrin Global Workforce Study 2007-2008*.
- PFEFFER, J. 1972. Interorganizational influence and managerial attitudes. *Academy of Management Journal*, 317-330.
- PFEFFER, J. 1981. *Power in organizations*, Pitman Publishing.

- PFEFFER, J. and SALANCIK, G. R. 1978. The external control of organizations. *New York*, 263.
- PORTER, M. E. 1990. *The competitive advantage of nations: with a new introduction*, Free Press.
- PORTER, M. E. and KRAMER, M. R. 2006. The link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 84, 78-92.
- POWELL, W. W. and DIMAGGIO, P. 1991. *The new institutionalism in organizational analysis*, Chicago, University of Chicago Press.
- PRAKASH, A. 1999. A new institutionalist perspective on ISO 14000 and Responsible Care. *Business Strategy and the Environment*, 8, 322-335.
- QI, D., WU, W. & ZHANG, H. 2000. Shareholding structure and corporate performance of partially privatized firms: Evidence from listed Chinese companies. *Pacific-Basin Finance Journal*, 8, 587-610.
- QIAN, Y. 2000. The process of China's market transition (1978-1998): The evolutionary, historical, and comparative perspectives. *Journal of Institutional and Theoretical Economics*, 156, 151-179.
- RAMANATHAN, K. V. 1976. Toward a theory of corporate social accounting. *The accounting review*, 51, 516-528.
- RAYNARD P. and FORSTATER M., 2002, Corporate Social Responsibility. Implications for Small and Medium Enterprises in Developing Countries. United Nations Industrial Development Organization, Vienna, Austria
- REMENYI, D. and WILLIAMS, B. 1998. *Doing research in business and management: an introduction to process and method*, Sage Publications Ltd.
- RINALDI, L. and UNERMAN, J. 2009. Stakeholder engagement and dialogue initiatives of UK FTSE100 companies over the Internet: An empirical analysis. *Interdisciplinary Perspectives on Accounting Conference*. Innsbruck.
- ROBERTS, R. W. 1992. Determinants of corporate social responsibility disclosure: an application of stakeholder theory. *Accounting, Organizations and Society*, 17, 595-612.
- ROBERTSON, D. C. and NICHOLSON, N. 1996. Expressions of corporate social responsibility in UK firms. *Journal of business ethics*, 15, 1095-1106.
- ROLLINS, T. P. and BREMSER, W. G. 1997. The SEC's enforcement actions against auditors: an auditor reputation and institutional theory perspective. *Critical Perspectives on Accounting*, 8, 191-206.
- ROWAN, B. 1982. Organizational structure and the institutional environment: The case of public schools. *Administrative Science Quarterly*, 259-279.
- SAUNDERS, M., LEWIS, P. & THORNHILL, A. 2009. *Research methods for business students*, Prentice Hall.
- SCAPENS, R. 2006. Understanding management accounting practices: A personal journey. *The British Accounting Review*, 38, 1-30.
- SCAPENS, R. W., BURNS, J., 2000. *Towards an understanding of the nature and processes of management accounting change /cRobert W.Scapens in collaboration with John Burns*, Uppsala, University of Uppsala.
- SCHALTEGGER, S., BENNETT, M. and BURRITT, R. 2006. *Sustainability accounting and reporting*, Dordrecht, Springer.
- SCHATZKI, T. R., KNORR-CETINA, K. and VON SAVIGNY, E. 2001. *The practice turn in contemporary theory*, Psychology Press.
- SCOTT, W. R. 1987. The adolescence of institutional theory. *Administrative Science Quarterly*, 32, 493-511.

- SCOTT, W. R. 1991. Unpacking institutional arguments. *The new institutionalism in organizational analysis*, 164, 182.
- SCOTT, W. R. 1995. *Institutions and organizations*, Beverly Hills, CA, Sage.
- SCOTT, W. R. 2001. *Institutions and organizations*, Sage Publications, Inc.
- SCOTT, W. R. 2003. *Financial accounting theory*, Toronto, Great Britain, Prentice Hall.
- SCOTT, W. R. 2008. Approaching adulthood: The maturing of institutional theory. *Theory and Society*, 37, 427-442.
- SELZNICK, P. 1957. Leadership in administration: a sociological interpretation.
- SILVERMAN, D. 2009. *Doing qualitative research*, Sage Publications Ltd.
- SIMON, H. A. 1959. Theories of decision-making in economics and behavioral science. *The American Economic Review*, 49, 253-283.
- SIMS, R. R. 2003. *Ethics and corporate social responsibility : why giants fall*, Westport, Conn., Praeger.
- SITI-NABIHA, A. and SCAPENS, R. W. 2005. Stability and change: an institutionalist study of management accounting change. *Accounting, Auditing and Accountability Journal*, 18, 44-73.
- SLATER, A. and GILBERT, S. 2004. The evolution of business reporting: Make room for sustainability disclosure. *Environmental Quality Management*, 14, 41-48.
- SMIRCICH, L. 1983. Concepts of culture and organizational analysis. *Administrative Science Quarterly*, 28, 339-358.
- SMITH, M. and TAFFLER, R. J. 2000. The chairman's statement-A content analysis of discretionary narrative disclosures. *Accounting, Auditing and Accountability Journal*, 13, 624-647.
- SOLOMON, A. and LEWIS, L. 2002. Incentives and disincentives for corporate environmental disclosure. *Business Strategy and the Environment*, 11, 154-169.
- SPENCE, C., GRAY, R. 2007. *Social and environmental reporting and the business case*, London, ACCA.
- SPILLER, P. T. 2008. An institutional theory of public contracts: Regulatory implications. National Bureau of Economic Research Cambridge, Mass., USA.
- SPONSEL, L. E. and NATADECHA-SPONSEL, P. 2003. Buddhist Views of Nature and the Environment. *Nature Across Cultures: Views of Nature and the Environment in Non-Western Cultures*, 351-71.
- STERN, J. and CUBBIN, J. 2005. Regulatory effectiveness: The impact of regulation and regulatory governance arrangements on electricity industry outcomes. *World Bank Policy Research Working Paper No. 3536*.
- STOLENBERG, C. D. 2000. Globalization, Asian Values, and Economic Reform: The Impact of Tradition and Change on Ethical Values in Chinese Business. *Cornell Int'l LJ*, 33, 711.
- STONE, C. and WINSTANLEY, D. 2001. Stakeholding: confusion or utopia? Mapping the conceptual terrain. *Journal of Management Studies*, 38, 603-626.
- STREUBERT, H. 1995. Ethnographic research approach. In H. Streubert & D. Carpenter (Eds). *Qualitative Research in Nursing: Advancing the Humanistic Imperative* (pp. 89 -112). Philadelphia: J. B. Lippincott.
- SUCHMAN, M. C. 1995. Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*, 20, 571-610.
- SUMIANI, Y., HASLINDA, Y. and LEHMAN, G. 2007. Environmental reporting in a developing country: a case study on status and implementation in Malaysia. *Journal of Cleaner Production*, 15, 895-901.

- SUN, L. and TOBIN, D. 2005. International listing as a mechanism of commitment to more credible corporate governance practices: The case of the bank of China (Hong Kong). *Corporate Governance: an international review*, 13, 81-91.
- 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*, 15, 248-260.
- TAM, O.K. 2002, "Ethical issues in the evolution of corporate governance in China", *Journal of Business Ethics*, 37, 303-320.
- TAM, C., ZENG, S. and DENG, Z. 2004. Identifying elements of poor construction safety management in China. *Safety Science*, 42, 569-586.
- TANG, L. and LI, H. 2009. Corporate social responsibility communication of Chinese and global corporations in China. *Public Relations Review*, 35, 199-212.
- TASHAKKORI, A. 2006. *Mixed methodology: Combining qualitative and quantitative approaches*, Sage.
- TAYLOR, S. J. and BOGDAN, R. 1984. Introduction to qualitative methods: The search for meanings. New York: John Wiley.
- TEDDLIE, C. & TASHAKKORI, A. 2009. *Foundations of mixed methods research: Integrating quantitative and qualitative approaches in the social and behavioral sciences*, Sage Publications. *Journal*, 7, 47-72.
- THOMAS, G. M., MEYER, J. W., RAMIREZ, F. O. & BOLI, J. 1987. *Institutional structure: Constituting state, society, and the individual*, Sage Newbury Park, CA.
- THOMPSON, C. C. 1967. *Institutional adjustment: A challenge to a changing economy*, University of Texas Press.
- TINKER, T. and NEIMARK, M. 1987. The role of annual reports in gender and class contradictions at General Motors: 1917-1976. *Accounting, Organizations and Society*, 12, 71-88.
- TILT, C. A. 1998b. Commerce Not Conscience: Environmental Disclosure by Mining Companies. *Flinders University School of Commerce, Research Paper Series 98*, 9.
- TILT, C. A. 1994. The influence of external pressure groups on corporate social disclosure: some empirical evidence. *Accounting, Auditing and Accountability*
- TREVINO, L. K. & NELSON, K. A. 2010. *Managing business ethics*, Wiley.
- TSANG, E. W. K. 1998. A longitudinal study of corporate social reporting in Singapore: the case of the banking, food and beverages and hotel industries. *Accounting, Auditing and Accountability Journal*, 11, 624-635.
- TSOUKAS, H. 2000. *What is good theory? : arguments for a discursive organization science*, University of Essex, Department of Accounting, Finance and Management.
- TUTTLE, B. and DILLARD, J. 2007. Beyond competition: Institutional isomorphism in US accounting research. *Accounting Horizons*, 21, 387.
- ULLMANN, A. A. 1985. Data in Search of a Theory: A Critical Examination of the Relationships Among Social Performance, Social Disclosure, and Economic Performance of U.S. Firms. *Academy of Management Review*, 10, 540-557.
- UNERMAN, J. 2000. Methodological issues-Reflections on quantification in corporate social reporting content analysis. *Accounting, Auditing, Accountability Journal*, 13, 667-681.
- UNERMAN, J. 2008. Strategic reputation risk management and corporate social responsibility reporting. *Accounting, Auditing and Accountability Journal*, 21, 362-364.

- UNERMAN, J., BEBBINGTON, J. and O'DWYER, B. 2007. *Sustainability accounting and accountability*, Taylor and Francis.
- UNERMAN, J. and BENNETT, M. 2004. Increased stakeholder dialogue and the internet: towards greater corporate accountability or reinforcing capitalist hegemony? *Accounting, Organizations and Society*, 29, 685-707.
- UNERMAN, J., GUTHRIE, J., STRIUKOVA, L. 2007b. *UK reporting of intellectual capital : a report*, London, Centre for Business Performance.
- UNERMAN, J. & O'DWYER, B. 2010. Ngo Accountability And Sustainability Issues In The Changing Global Environment. *Public management review*, 12, 475-486.
- VAIVIO, J. 1999. Exploring anon-financial'management accounting change. *Management Accounting Research*, 10, 409-437.
- VÁMOSI, T. S. 2000. Continuity and change; management accounting during processes of transition. *Management Accounting Research*, 11, 27-63.
- VAN DER STEEN, M. 2009. Inertia and management accounting change: The role of ambiguity and contradiction between formal rules and routines. *Accounting, Auditing and Accountability Journal*, 22, 736-761.
- VAN DUNK, E. and DICKMAN, A. 2002. School Choice Accountability. *Urban Affairs Review*, 37(6), 844-856.
- VAN MAANEN, J. 1979. Reclaiming qualitative methods for organizational research: A preface. *Administrative Science Quarterly*, 24, 520-526.
- VERMEULEN, P., BÜCH, R. and GREENWOOD, R. 2007. The impact of governmental policies in institutional fields: The case of innovation in the Dutch concrete industry. *Organization studies*, 28, 515.
- VISSER, W. 2007. *The A to Z of corporate social responsibility : a complete reference guide to concepts, codes and organisations*, Chichester, England ; Hoboken, NJ, John Wiley and Sons.
- VOGT, W. P. 1993. Dictionary of statistics and methodology: A nontechnical guide for the social sciences. Sage Publications, Newbury Park, California.
- WALLACE, G. W. 1995. Balancing conflicting stakeholder requirements. *Journal for Quality and Participation*, 84-84.
- WALTON, J., ALABASTER, T. and JONES, K. 2000. Environmental accountability: Who's kidding whom? *Environmental Management*, 26, 515-526.
- WANG, H. 2002. *Environmental performance rating and disclosure : China's Green Watch program*, Washington, D.C., Development Research Group, Infrastructure and Environment.
- WANG, J. and CHAUDHRI, V. 2009. Corporate social responsibility engagement and communication by Chinese companies. *Public Relations Review*, 35, 247-250.
- WANG, J., QIN, S. & CUI, Y. 2010. Problems and Prospects of CSR System Development in China. *International Journal of Business and Management*, 5, 128-139.
- WANG, X., XU, L. C. and ZHU, T. 2004. State owned enterprises going public The case of China. *Economics of Transition*, 12, 467-487.
- WEBER, R. P. 1990. *Basic content analysis*, Sage.
- WEI, S. J. 2000. Natural openness and good government. National Bureau of Economic Research.
- WELMAN, J. C. and KRUGER, S. J. 2001. *Research methodology for the business and administrative sciences*, Oxford University Press, Cape Town; Oxford.
- WENNEKERS, S. & THURIK, R. 1999. Linking entrepreneurship and economic growth. *Small business economics*, 13, 27-56.

- WERTHER JR, W. B. and CHANDLER, D. 2010. *Strategic corporate social responsibility: Stakeholders in a global environment*, Sage Publications, Inc.
- WHEELER, D. and ELKINGTON, J. 2001. The end of the corporate environmental report? Or the advent of cybernetic sustainability reporting and communication. *Business Strategy and the Environment*, 10, 1-14.
- WHITE, G. 2009. *Sustainability Reporting: Managing for Wealth and Corporate Health*, Business Expert Press.
- WICKERHAM, J. & ZADEK, S. 2009. China's corporate social responsibility change makers. *Fortune China*, 3, 2-16.
- WILLMOTT, H. 1990. Subjectivity and the dialectics of praxis: Opening up the core of labour process analysis. *Labour process theory*, 336-378
- WILMSHURST, T. D. and FROST, G. R. 2000. Corporate environmental reporting: a test of legitimacy theory. *Accounting, Auditing and Accountability Journal*, 13, 10-26.
- WONG, L. 2009. Corporate social responsibility in China: Between the market and the search for a sustainable growth development. *Asian Business & Management*, 8, 129-148.
- WONG, L. and MACPHERSON, S. 1995. *Social change and social policy in contemporary China*, Avebury.
- WOODWARD, D., EDWARDS, P. & BIRKIN, F. 2001. Some evidence on executives' views of corporate social responsibility. *The British Accounting Review*, 33(3), 357-397.
- XINHUA, F. R. 2002. WTO Entry, Government's Welcome Could Spur Foreign RandD in China. *People*.
- XU, J., DUAN, Y., HUANG, Y., WEI, H. & GAO, S. 2011. The Season Changing of Air Quality in Shanghai and the Analysis of High Pollution Cases. *Environmental Science & Technology*, S1.
- YAN, S. 2007. *Corporate social responsibility in China* [Online]. Available: <http://app1.chinadaily.com.cn/focus/ceo/11/responsibility.htm> [Accessed 25/10 2008].
- YANG, G. 2005. Environmental NGOs and institutional dynamics in China. *The China Quarterly*, 181, 44-66.
- YIN, E. and CHOI, C. J. 2005. The globalization myth: the case of China. *MIR: Management International Review*, 103-120.
- YIN, Y. and BARTHOLDY, J. 2007. Ownership Structure and Corporate Governance in China: It's Time to Reform.
- YONGVANICH, K. and GUTHRIE, J. 2006. An extended performance reporting framework for social and environmental accounting. *Business Strategy and the Environment*, 15, 309-321.
- YUAN, Z. and HAO, L.-S. 2005. New Energy Policy Framework of the World and Its Forming Mechanism. *Resources Science*, 5.
- ZADEK, S. 2007. The path to corporate responsibility. *Corporate Ethics and Corporate Governance*, 159-172.
- ZHANG, C. & WU, D. 2010. Empirical Research on Effecting Factors of CSR Report of Commercial Banks in China. *IEEE*, 5153-5156.
- ZHANG, T. and ZOU, H. 1998. Fiscal decentralization, public spending, and economic growth in China. *Journal of Public Economics*, 67, 221-240.
- ZHAO, J. 2011. The regulation and steering of corporate social responsibility in China: stories after the enforcement of Chinese company law 2006. *International Company and Commercial Law Review*, 22.

- ZHENG, L. 2006. A Study on Relation of Corporate Social Responsibility and Corporate Value: Empirical Evidence from Shanghai Securities Exchange. *China Industrial Economy*, 2.
- ZHUO, X. H. 2001, Supervising commercial banks taking corporate social responsibilities, *Journal of Ningde Teachers College; Philosophy and Social Sciences Edition*, 2 (3), 3-10
- ZU, L. 2009. *Corporate social responsibility, corporate restructuring and firm's performance : empirical evidence from Chinese enterprises*, Berlin, Springer.
- ZUCKER, L. G. 1977. The role of institutionalization in cultural persistence. *American sociological review*, 726-743.
- ZUCKER, L. G. 1987. Institutional theories of organization. *Annual review of sociology*, 13, 443-464.
- ZUCKER, L. G. 1991. The role of institutionalization in cultural persistence. In: Powell, W., and DiMaggio, P (Eds.). *The new institutionalism in organisational analysis* 83-110. Chicago: University Chicago Press.

Appendices

Appendix 1: Interview Guide

Interview should start with some basic and easy questions, such as:

- What is your role in the company?
- What is your role in relation to SERs?
- How do you understand corporate social responsibility and social and environmental reporting?
- What do you think about the development of corporate social responsibility in China?
- Are there any differences in the notion of CSR between Chinese companies and organisations in Western countries? Does CSR in China have local characteristics?

After the basic opening questions, the interview should lead to investigate SER practices in each sample company:

- Your company has participated in many CSR events, what did you learn or gain from them?
- Based on the previous question, does your company have a yearly CSR plan or does it rather adjust it according to existing circumstances?
- Many of these CSR events were disclosed in your SER or annual report, what made you do so?
- As CSR becomes popular, society, government, media, etc. have paid a lot of attention to it. What do you think of this, and does it have any influence on your company?

Then, more detailed question can be asked; for instance, on the issues raised from the content analysis.

- I have noticed that, in SER, there are more environmentally related disclosures than socially related issues. Why is that?
- Why has some information only been disclosed on the website, but not in the annual report or SER?
- Viewing the industry as a whole, how has SER practice developed?
- What do you think is the biggest responsibility your company should undertake?
- As it is listed, do you feel that your company should be more accountable?

The interview should have concluding questions at the end:

- What do you think is the best way to promote SER practices?
- Is there anything else you think I should have also asked you but haven't?

Appendix 2: Ethics Approval Form

The prime aim of this PhD research is to understand and analyse the reasons underpinning the recent rapid development of Chinese social and environmental reporting (SER) practices. To accomplish this aim, the research investigates the objectives of social and environmental disclosure practices and the trends in social and environmental disclosures over time, specifically from the year 2006.

Data Collection Method and Ethical Considerations

Data will be collected primarily through intensive face-to-face semi-structured interviews. The participants will primarily be employees of sample companies who are involved in SER practices.

The data collection method employed raises some ethical issues; this research study plans to use an informed consent form to deal with these. The form will describe in writing the purpose of this research study, confidentiality issues and the level of consent required of the participant (full or partial). Also, where audio recording is used, participants will be informed of this prior to the interviews.

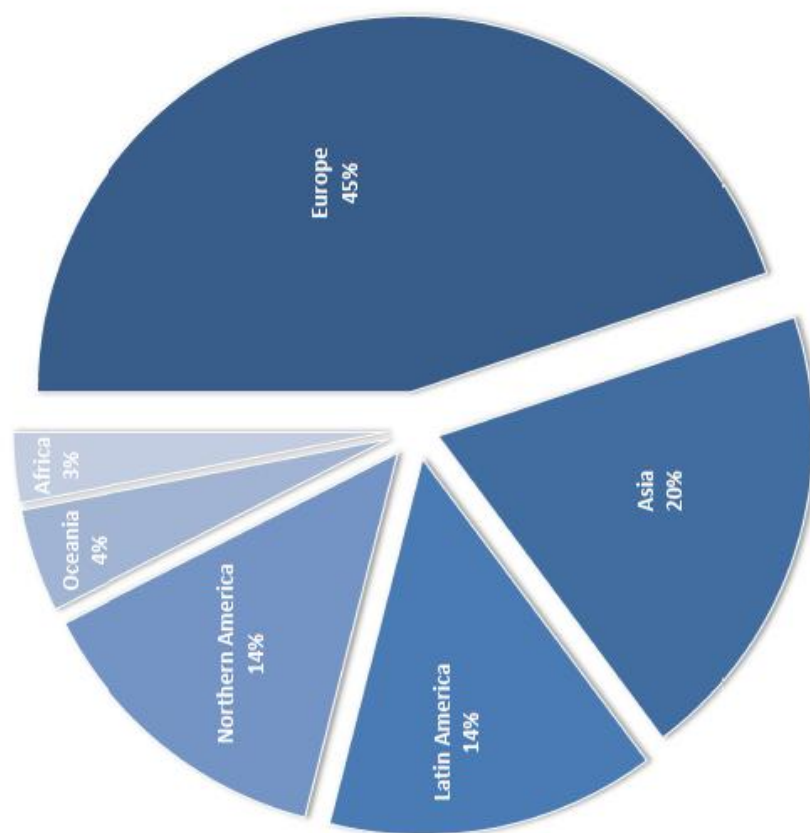
Declaration

I am, as a researcher, aware that using interviews as research method may result in the disclosure of very sensitive or private information. However, I will preserve the anonymity and confidentiality of both participating interviewees and sample companies throughout the course of the study. I will not disclose any private information (names, positions held, etc.) without the prior consent of the participants. I will not use any data

to harm the participants in any way. Finally, I will base the conduction of my research study on ethical values.

Appendix 3: Regional distribution of 2010 reports

Regional distribution of 2010 reports



Highlights - compared to 2009:

Latin America

68% increase in reporting in Brazil

Europe

56% increase in reporting in Switzerland

North America

53% increase in reporting in Canada

22% increase in reporting in the USA

Asia

9% increase in reporting in China

Oceania

9% decrease in reporting in Australia

Africa

Almost all reports are from South Africa.

The statistics are from the GRI Reports List and include information as at 2 March 2011. The List can be downloaded free from the [GRI Website](#). It includes GRI reports that GRI is aware of through its Data Partners, the GRI Application Level Check process, registration forms and internet searches. GRI cannot guarantee that the list is accurate or complete. All reports listed are based on the G3 Guidelines and include a GRI Content Index.

Appendix 4: CSR Guideline for State-Owned Enterprises (SOE)

By State-owned Assets Supervision and Administration Commission (SASAC), PR China publicly issued on Jan 4, 2008

1. Fully understand the importance of CSR among SOEs

a. CSR is based on actions to implement the philosophy of scientific development. It requires SOEs to not only develop in a people-centered, scientific way and make profits, but also to take responsibility for all stakeholders and the environment, and ultimately to harmonize the enterprise, social and environmental development.

b. CSR is a public expectation for SOEs. As key players in the Chinese economy influencing many important industrial fields, SOEs have a major impact on peoples' lives. Consequently, CSR is not only the mission statement of SOEs, but also a public expectation.

c. CSR is an unavoidable pathway for SOEs' sustainable development. SOEs can improve their capability for innovation, corporate culture, reputation and human resource management if they can actively integrate CSR into their business operations.

d. CSR is also necessary from the perspective of international economic dialogue and cooperation for SOEs. It has become a key criterion worldwide when people assess the value of a company.

2. General guidelines, requirements and principles

- a. General guide: Uphold Deng Xiaoping's Theory and Three Representatives Thoughts make SOEs CSR practice pioneers, and contribute to the development of well-off society.
- b. General requirement: SOEs should enhance their CSR awareness, actively fulfill social responsibility, and become model companies with legal compliance, integrity, energy efficiency, environmental protection and harmony.
- c. General principles: Combine CSR and the process of SOE reform, and regard CSR as a key component of the transformation of SOEs into modern corporate institutions and to enhance all-round competitiveness.

3. Key contents for SOEs to implement CSR

- a. Operate with legal compliance and integrity
- b. Continuously improve profitability
- c. Improve product and service quality
- d. Save energy and protect the environment
- e. Push forward self-innovation and technology development
- f. Ensure product safety
- g. Protect labor rights and the interests of workers
- h. Engage in philanthropic activity

4. Key measures for SOEs to implement CSR

- a. Raise CSR awareness
- b. Establish and improve institutional arrangements for CSR
- c. Establish CSR reporting systems
- d. Enhance company level communication and international collaboration
- f. Strengthen party organizations' leadership when SOEs implement CSR

Note: This is a short English brief for #001 document issued by SASAC on January 4, 2008, entitled "CSR Guideline for State-Owned Enterprises". It is translated by Guo Peiyuan of SynTao.