

Political Embeddedness or World Cultural Pressure?

Explaining Corporate Social Responsibility Reporting in China, 2005-2015

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January 21, 2019

Word Count 7,919

Abstract

We test empirically the usefulness of both world polity explanation and political strategy view in the context of the adoption of CSR reports in China. Specifically, we analyze the adoption of CSR reports compiled by 2,863 listed firms in China from 2005 to 2015 via an event history framework. Contrary to past studies, this article casts doubt on the assumption that all CSR reports contain similar forms and contents. As such, we seek to explain the adoption of two different forms of CSR reports, reports explicitly referencing global models and those written under the guidance of government agencies, treating them as evoking somewhat different sources of authority. To what extent is the adoption of CSR reports attributable to political signaling from party-government nexus or world culture pressures? Do the influences operate in the same way for the reports based on national governmental directives and those more explicitly linked to world society? If not, what accounts for the variation on the factors shaping CSR reporting initiatives in China as an emerging economy? We address these questions with the use of novel dataset we compiled from several original sources as well as employing an event history analysis. Our findings lead us to conclude that world polity perspective is better suited for explaining the adoption of GRI-based reports, whereas political strategy perspective is well attuned to the adoption of the versions consulted by government agencies. This article provides a unique theoretical contribution to discussions of the diffusion and local variations of global models.

Introduction

The global expansion of corporate social responsibility (hereafter CSR) in recent decades has been tremendous and generated an impressive array of studies addressing the origins of CSR and their effects on corporate behavior and performance (Carroll 1979; McGuire, Sundgren, and Schneeweis 1988; Wood 1991; Campbell 2007; Brammer, Jackson, and Matten. 2012). There has been a recent call for research of CSR activities in the context of emerging economies (Moon and Shen 2010; Arevalo and Aravind 2011; Preuss and Barkemeyer 2011). Several scholars responded promptly by examining corporate social performance in China (See 2009; Lin 2010; Marquis and Qian 2013; Lau, Lu, and Liang 2016; Marquis, Yin, and Yang 2017) and engaged in a heated debate as to why Chinese firms embrace CSR as a largely western practice.

Much of research on global CSR movement employ a corporate strategy perspective that stresses strategic management and/or competitive positioning of profit-seeking corporations. Companies adopt CSR activities to improve its public images, increase sales to ethical consumers, and galvanize support from socially responsible investors. Likewise, scholars focusing on China share broadly such an approach, but highlight the processes by which government coerces or cajoles businesses with their own views and directives. Either through an institutional approach or a political strategy view, the state and Communist party are perceived as the primary force shaping the trajectories of CSR diffusion in China (Marquis and Qian 2014; Lau et al. 2016). As an observer puts it, “A lot of corporate responsibility is driven by governmental relationships” (Wall Street Journal, 2011).

We maintain that it’s useful to turn to the recent argument made by world polity scholars that global cultural and institutional processes propel the adoption and adaptation of world models (Lim and Tsutsui 2012; Meyer et al., 2015; Pope and Meyer 2016). Expanding its analytic focus from nation-states to non-state actors, including businesses, world polity researchers recently offered an alternative account of what explains CSR initiatives worldwide. They argue that CSR initiatives involve a global movement that is cultural in character and not merely reducible to the demands from specific stakeholders such as foreign board members or top executives. CSR movement concerns a shared belief about legitimate roles of businesses in the age of post-industrial society. The language or rhetoric of CSR often spans the boundaries of business world, impacting other collective entities outside the for-profit sector, such as universities, cities, and NGOs (Bromley and Orchard 2015).

We test empirically the usefulness of both world polity explanation and political embeddedness model in the context of the adoption of CSR activities in China. Specifically, we analyze the adoption of CSR reports compiled by 2,863 listed firms in China from 2005 to 2015 via an event history framework. Contrary to past studies, however, this article casts doubt on the assumption that all CSR reports are homogeneous and contain similar forms and contents. As such, we seek to explain the adoption of two different forms of CSR reports, reports explicitly referencing global models (i.e., the Global Reporting Initiative [hereafter GRI] standards) and those written under the guidance of government agencies (e.g., the State Asset Supervision and Administration Commission [hereafter SASAC] or the Chinese Academy of Social Sciences [hereafter CASS]). We treat them as evoking somewhat different sources of authority.

To what extent is the adoption of CSR reports attributable to political signaling from party-government nexus or world culture pressures arising from external world society? Do the influences operate in the same way for the reports based on national governmental directives and those more explicitly linked to global models? If not, what accounts for the variation on the factors shaping CSR reporting initiatives in China as an emerging economy? We address these questions with the use of novel dataset we compiled from several original sources as well as employing an event history analysis that examines the likelihoods or hazards that each listed Chinese firm adopts the first CSR report. To our knowledge, this article offers one of the most comprehensive coverage of Chinese firms as well as the period under study.

Our findings lead us to conclude that world polity perspective is better suited for explaining the adoption of GRI-based reports, whereas political strategy perspective is well attuned to the adoption of the versions consulted by government agencies. We find that government agencies are eager to modify global models to make it better fit with what they consider as a best national developmental strategy. In rare effort, we provide a new integrative approach and engage in a synthetic empirical endeavor to better explain what led Chinese firms operating under authoritarian capitalism to care about a powerful global model and turn that into publication. As such, this article provides a unique theoretical contribution to discussions of the diffusion and location variations of global models.

Background

Since the Communist Party began to initiate economic reforms introducing market principles in 1978, China has sought to develop and consolidate the so-called “capitalism with Chinese characteristics” (Huang 2008). Chinese firms sprung from government entities and gradually transformed into modern corporate entities throughout the 1990s and 2000s, combining uniquely private and public ownerships. As of 2017, publicly listed firms in China are composed of 40 percent of privately controlled firms and 60 percent of government owned entities collectively called “State-Owned Enterprises (hereafter SOEs)”

As China became integrated into the capitalist world economy, a large number of Chinese firms, both private and public, became part of global supply chains, exported their products, and served as “the factory of the world.” As in the cases of other emerging economies, relentless pursuit of profits at the expense of social and environmental responsibilities was the major characteristic of the Chinese path to development. As a consequence, environmental degradation, increasing economic inequality, and deadly industrial accidents became a threat to the Chinese quest of modernization. It was not coincidence that since the late 1990s western multi-national corporations (MNCs) have begun to challenge Chinese supply firms pressuring them to comply with CSR codes of conducts. International organizations and non-governmental organizations (NGOs) followed suit, further exposing Chinese subcontractors to CSR norms and practices. Circumventing compliance with proper social and environmental responsibilities became increasingly intolerant and the Chinese firms’ economy first mentality was rather abruptly perceived illegitimate.

A dramatic shift in policy driven by the principles of a “harmonious society” brought about a seismic change in the landscape of Chinese firms and their social and environmental

responsibilities. The previous emphasis on economic growth at all costs gave way to the path to economic growth amalgamated with the need to address pressing social and environmental problems (See 2009). With this remarkable change on policy priority, the Communist Party of China (CPC) alongside the central and regional governments became the game changer or the agent of *coercive isomorphism*, playing a pivotal role in facilitating and/or signaling the need to embrace CSR as modern creed in world society.

This new government initiative was soon supplemented by the introduction of modern labor and corporate laws and policies. Consider, for example, the revised 2006 corporate law that stipulates certain social responsibilities for firms; it was envisioned that corporations should comply with the law, public morality, and commercial ethics when conducting business activities. Revision was also made to labor laws in ways that strengthen the protection of workers' rights and their access to humane working conditions. Furthermore, anti-corruption law was also implemented to prevent corruption and strengthen business ethics.

In sum, apart from extraordinary pressures from MNCs and global society, the Chinese state and party unambiguously laid the foundation for the adoption of CSR ideals and practices among Chinese firms, primarily targeting SOEs. This observation led researchers to characterize the Chinese path to CSR as “the government at the top of the CSR pyramid” in comparison with the Western path where the emphasis is placed on “customers and investors as its most pivotal constituents” (Marquis and Qian 2014; ChinaCSR.com 2009).

In response to the signals from the Chinese government that CSR is a proper and desirable corporate practice, Chinese firms sought to render CSR activities elements of their formal organizational structure, particularly CSR reporting. Though global firms have released CSR reports since the 1990s, Chinese firms, especially SOEs, did not initiate reporting until the first decade of the 2000s. As Figure 1 shows, there was a boom of CSR reporting or disclosure during the period, 2005-2016. Only several major SOEs like State Grid, the COSCO Group, and China Mobile, adopted CSR reporting circa 2006, but the number of participating firms increased rapidly in 2009 and reached above 1,000 in 2011. The ceiling of 1,500, in the following year, had been shattered. Almost 2,000 firms in China have disclosed their CSR report by 2016.

Alongside tremendous adoptions of reporting practice, however, a remarkable degree of *adaptation* began to occur. In parallel with the development of “capitalism with Chinese character,” CSR adaptation with Chinese character coupled with socio-historical uniqueness soon prevailed (See 2009; Lin. 2010). It led some observers to note that prevention of unethical corporate practices and sustainability issues are much more stressed than human rights issues in CSR reports in China. Notably, the concept of human rights seems to have largely disappeared from official documents and policy measures, but their variants seem to remain with such labels as labor standards, safety regulations, and environmental protection (Lin 2010).

What accounts for this subtle, yet arduous adaptation? What is the mechanism explaining the deviation from externally legitimated institutional myth called CSR? The answer lies at the role of the government, more specifically government *signaling* about the ideal way of importing world models and fitting them into Chinese firms' long-held practices. Marquis et al. (2017) recently made a convincing argument that most Chinese firms underwent "intentional practice adaptations" in the face of western-originated CSR practice, but they pursued two alternative paths. COSCO, for example, faithfully complied with and integrated much of international templates into their management structure, whereas State Grid repackaged the international standards to create their own reporting standards and guidelines. Taking an alternative path, State Grid focused emphasis on creating a unique theory of CSR implementation for other fellow Chinese companies, and it partnered closely with government agencies like CASS in diffusing a new set of China-specific standards (Marquis et al., 2017).

Consider Chinese government efforts to provide signals to Chinese firms with various domestically reframed CSR guidelines in comparison to GRI guidelines. The latter was originally designed to improve the quality of CSR reporting and widely adopted by more than 4,000 global firms and thus considered as key global standards. By contrast, there exist several widely used local CSR disclosure guidelines in China. Since the middle of the first decade of the 2000s, various Chinese institutions have generated a series of guidelines in an effort to fit externally-imported CSR principles into Chinese reality. The Shenzhen Stock Exchange (SZSE) and The Shanghai Stock Exchange (SSE) created their own instructions on CSR reports for listed firms. With this, they encourage the issuance of CSR reports in a voluntary manner (Noronha, Tou, Cynthia, and Guan 2013).

SASAC also developed "Guidelines to SOEs on Fulfilling CSRs" in order to ensure SOEs to adopt and *adapt* CSR practice. Industry associations followed and created their own guidelines that were often used as references for the firms in a specific industry. Centrally, CASS CSR guidelines became widely recognized and used by a broad range of firms in China. CSR Research Centre of the CASS argues that they developed such standards based on well-established international guidelines in 2009. Since CASS CSR 1.0 had launched in 2009, there were three updates for the guidelines. The development of local CSR disclosure guidelines in China has spurred massive growth of CSR reporting, making it easier that Chinese firms interpret and accept signals from the Chinese party and government.

GRI G4 is still considered as the most widely used CSR report guideline in China. CASS CSR3.0 ranks the second and the SZSE and SSE Guidelines follow. A sizable number of firms also use GB/T 36001 which is published by Standardization Administration of China in 2015. ISO 26000 is known as the second most popular global guideline in China. Yet many SOEs still use "Guidelines to SOEs on Fulfilling CSRs". But almost 5% of reports have not used any established guidelines.

To put it another way, the majority of CSR guidelines adopted in China were developed by local institutions. As Table 2 suggests, top ten CSR disclosure guidelines were prepared by local institutions spearheaded by government agencies except GRI G4 and ISO 26000. It is noteworthy to compare GRI G4 and CASS-CSR3.0 for a better understanding of the nature of adaption. Considering that CASS is an institute under the influence of State Council, CASS-

CSR3.0 could be considered as a national and government-sponsored CSR guideline. To the contrary, GRI G4 is perceived as the most influential CSR disclosure global standards with the composition of firms' economic, social, and environmental responsibilities of which many items are framed as human rights issues.

Since CASS-CSR3.0 is also based on GRI G4 to meet international requirements, economic and environmental categories appear to have similar indicators. Looking at the social category, specifically the human rights sub-category, it is evident that it deviates from the global practice. GRI G4 has indicators for explicitly measuring human rights issues, such as non-discrimination, freedom of association and collective bargaining, child labor, forced or compulsory labor, indigenous rights, and human rights grievance mechanisms. However, the level of understanding of human rights in CASS-CSR3.0 is substantially limited. Instead, *corporate responsibility to government* is much more elaborated in CASS-CSR3.0 than GRI G4. For example, response to government policy is squarely emphasized only in CASS-CSR3.0 (GRI 2013; GRI Focal Point China 2014).

Spurred by rapid globalization, Chinese companies come under more pressure from outside China. But, there is still government dependency which leads to the binding effects of companies with political embeddedness. These particularities unique to China motivate us to assume that CSR initiatives might not be as homogeneous as previously assumed. We hypothesize that various domestic and global conditions influencing corporate behavior in China affect two types of reporting differently and this investigation leads us to answer differently the question of “why and how Chinese firms adopt world models”

Theories and Hypotheses

What accounts for the adoption of CSR reporting in China? We hypothesize that both domestic and global influences have impacts on the adoption of CSR initiatives in China. The current account, however, places a greater emphasis on the role of government; the regulatory roles of state are deemed critical especially for the large sized corporations that are held accountable for social responsibilities (Santoro 2015; Schrempf-Stirling 2016). Under the rule of CPC, the Chinese state exerts tight control over the business sector. This power dynamic is compounded with the absence of a civil society counterweight in China (Hofman, Moon, and Wu 2017). Consequently, there exists an urgent need from businesses to garner political legitimacy from government and it naturally leads them to turn to CSR (Marquis et al. 2017).

With a shared contextual interpretation of CSR as a government tool, scholars provided efforts to explain the mechanism of CSR adoption in China (Moon and Shen 2010; Rothlin 2010). They argue that Chinese corporations use political connections to deal with political uncertainty (Li, Song, and Wu 2015). Here *political signaling* is conceptualized as a communicating process between government and corporations and it leads to opposite dynamics of compromise and negotiation. Firms can have a buffer from regulatory forces with access to information and legitimacy and they often use political connections to incorporate swiftly government signals into their management process. Simply put, the co-optation mechanism pervades (Hillman 2005; Peng and Luo 2000; Marquis and Qian 2014).

Efforts were made to explicate the political factors associated with the adoption of CSR in China. These efforts rest on a view that the Chinese government has played a decisive role in pressuring firms to publish CSR reports in accordance with its regulatory mandates. These mandates often have the forms of CSR disclosure guidelines and thus mirror the government policy on CSR (Wang 2016; Yang, 2002; Noronha et al. 2013; Ho 2013; Dong, Burritt, and Qian 2014). Government signals are delivered via complicated networks and connections to Chinese firms to force them to use CSR disclosure guidelines.

As the Chinese business system is strongly influenced by the authoritarian state (Hofman, Moon, and Wu 2017), SOEs are particularly under the strong influence from the state. SOEs are likely to come under increasing pressure from government to release CSR reports in harmony with the guidelines offered by SASAC. Political embeddedness with government works as a binding function and leads SOEs to accept government signals for CSR disclosure. On the contrary, private company has more leeway to make a decision under the weaker influence from government on CSR agenda.

Hypothesis 1.1: Private companies are less likely to adopt GRI/Non-GRI CSR reports.

Facing growing criticism from the public, Chinese government sought to increase penalties for the illegal behavior of the firms, especially in regards to food safety and environment law violation issues. Undoubtedly, the violation of the national law affects negatively the state-business relations. The state can exert tighter control on companies with bad track records, whereas negatively stigmatized firms look for opportunities to restore tainted reputation and recover political legitimacy. It results in a binding effect for the company to conduct non-financial responsibilities.

Hypothesis 1.2: Companies with records of violation of the law are more likely to adopt GRI/Non-GRI CSR reports.

Personal connections between firms and the state institutions are likely to serve as a source of political connection that allow firms to better access political signals from government. Board members with political networks can be a mediator between a company and government. They represent a good source of binding effect from government signaling. This line of research shows that politically connected companies are more likely to respond to the government's call for CSR activities in conjunction with government interference (Li et al. 2015; Zhang, Marquis, and Qiao 2016; Xie, Liu, Xie, and Ding 2017).

Hypothesis 1.3: Companies with NPC or CPPCC membership among the leadership are more likely to adopt GRI/Non-GRI CSR reports.

Political strategy view, though predominant and influential, has limitations in explaining the adoption of CSR reporting. While firms come under pressure from regulatory agencies and are forced to adopt new organizational innovations, their engagement with CSR is also driven by larger cultural and institutional forces that are global in scope (Pope and Meyer 2016). Consider that Chinese firms' encounter with capitalist world economy led them to be embedded in the web of connections among global buyers, sellers, auditors, and consumers who follow and adhere to global code of conducts. The vast amounts of legitimacy are

bestowed up Chinese firms from such stakeholders linked to the global commodity chain. Scholars assert that the CSR movement is largely a product of top-down mobilization from world society, as opposed to a bottom-up aggregation of strategic management and/or political dependency (Lim and Tsutsui 2012; Pope and Meyer 2015).

Since WTO affiliation in 2001, Chinese firms have actively incorporated global norms in response to new challenges. They became more interconnected facing pressures from global society. These pressures came from global supply chains, investors and consumers. Specially, a number of foreign buyers and multinational companies began to demand for labor rights protection and environmental upgrading and this pressure led Chinese firms to recognize the importance of conforming to international standards for the sake of survival and growth (Yin 2017). Consequently, Chinese firms started to consider CSR as a crucial component for competitiveness in the global market. In this sense, adopting CSR reporting guidelines might be viewed as an institutional process crucial for them to catch up with global trends. As such, it is noteworthy examining the effects of world cultural pressures on Chinese firms' adoption of CSR reports.

Notwithstanding growing scholarly interests on the effects of international pressure on CSR adoption in China (Hofman et al. 2017), few studies thoroughly analyzed how world cultural pressures shape corporate decision making processes. In an effort to fill in this gap, we introduce world polity theory as an alternative theoretical framework. Expanding recently its analytical scope from nation-states to corporations as well as individuals, world polity theory posits that world models define "the actorhood of a virtuous and responsible corporations (Pope and Meyer 2016: 286) and shape how they present themselves to the global audience. Displaying proper corporate citizenship vis-à-vis multiple stakeholder interests emerges as a crucial task for companies to conform to the expanding and legitimizing world society. This global institutional and cultural account runs counter to the predominant scholarly approach which focuses on rational, rent-seeking and risk-management behavior of companies (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Meyer, Boli, Thomas and Ramirez, 1997). World polity theory leads us to formulate the four hypotheses.

Consider first the influence of diversity in the top leadership. More diversified board is likely to establish more abundant networks, make more informed decisions, and adopt CSR initiatives diffused through characteristics of board members. Among others, their global experiences might be instrumental in enhancing more diversity and making it more likely that they identify and incorporate global models (Coffey and Wang 1998; Zhang et al. 2013; Lau et al. 2016). For example, a board member with overseas education and/or work backgrounds could have higher levels of sensitivity towards new trends in global society.

Hypothesis 2.1: Companies with board members' international experiences are more likely to adopt GRI/Non-GRI CSR reports.

Global conferences enable corporations to gather, communicate, and share information with other participants representing firms, governments, and NGOs. In fact, Chinese firms have actively participated in Boao Forum for Asia (hereafter BFA). After its inauguration in 2001, BFA has organized annual conferences in Hainan, China. It is a forum where

participatory corporations discuss about various business issues. CSR emerged as a key agenda for BFA. Sustainable development, for example, was the theme of the 2007 conference. Considering the growing awareness of global norms like CSR among Chinese firms, we predict that a company with the experience of participating in the Boao Forum is more likely to adopt CSR reporting.

Hypothesis 2.2: Companies participating in the Boao Forum are more likely to adopt GRI/Non-GRI CSR reports.

Scholars seek to portray Chinese firms as adopting CSR practices in order to obtain legitimacy in a globalized world (Lau et al. 2016). But the speed of change varies. Adopting CSR reports might be viewed as an effort to meet the demands from foreign investors and consumers who are socialized about corporate non-financial responsibilities. It leads to a speculation that export-oriented companies are more likely to sense global pressure and adopt CSR reporting.

Hypothesis 2.3: Export-oriented companies are more likely to adopt GRI/Non-GRI CSR reports.

Shabana, Buchholtz, and Carroll (2017) explain that mimetic isomorphism has shaped CSR reporting practices with a goal to be consistent with practices prevalent among other corporations. Chinese firms also seek to catch up with diffusive business trends. As such companies tend to follow fast movers in the same industry recognizing prevalence of uncertainties. We consider the density of CSR reporting adoptions in the same industry and formulate a hypothesis accordingly.

Hypothesis 2.4: Companies with more number of GRI/Non-GRI adoptions among the same industry sector are more likely to adopt GRI/Non-GRI CSR reports.

Research Design

It is estimated that there are more than 14 million corporations in Mainland China (National Bureau of Statistics of China 2017). Their types include SOEs, private corporations, and foreign-invested corporations. This research primarily focuses on corporations which are listed on SZSE and SSE. It permits us to investigate a representative sample of Chinese companies. By integrating comprehensive data of listed companies, we seek to investigate how companies respond to government signaling and international pressure. As of 2017, SZSE has more than 2,100 listed companies and SSE has around 1,300 companies.

We created a comprehensive dataset of listed companies in China. We collected the data to measure political embeddedness and world cultural pressure. The financial data of the companies were collected from the China Stock Market & Accounting Research (CSMAR). CSMAR is known as the most comprehensive database for the companies listed in SZSE and SSE. Our dependent variable is the year of adoptions of GRI-based and non-GRI based reports. Considering that GRI and non-GRI based reports employ different guidelines of reporting, we broke out the reports into the two types of documents and estimate the models

accordingly.

We use three independent variables to measure binding effects of governmental signaling or political embeddedness. These include the types of firms, violations of the law, and political tie. First, we use a dichotomous variable indicating whether a firm is private or SOE with the assumption that private companies are more likely to be reluctant to hold non-financial responsibilities than SOEs. Second we use a dichotomous variable indicating whether a firm has the record of law violations, such as fictitious profit or assets, misleading statements, and illegal stock trading. Third, to capture the effects of political ties, we include board members' membership either in NPC or CPPCC, two major political councils functioning as Chinese government, with the score of 1 for the year of membership.

The variable of memberships in NPC or CPPCC was collected from China Infobank, an extensive database of information and statistics of the Chinese economy containing data on disclosures on board members (Marquis and Qian 2013). Since crucial decisions on CSR activities tend to be made by the participation of all the members, we examined the records of all board members (Lau et al. 2016). A board member of a Chinese company is typically employed for three years.

We include four independent variables measuring the extent to which global society exerts influences on Chinese listed firms. First, with the China Infobank data, we use the international experience variable indicating whether each board member has either overseas study or work experience. Second, we use a dichotomous variable capturing whether a listed firm has memberships—diamond, platinum, or plain membership—in the Boao Forum. Third, we also include a dichotomous variable measuring if a listed firm belongs to one of the top-ten-exports industries in China (worldstopexports.com). Fourth, to measure the diffusion effects of the firms within each industry sector, we use the number of adoptions of CSR reports in each industry to which each firm belongs. We use the guidelines for the industry classification of listed companies in 2012.

With the use of the CSMAR data, we include a number of control variables that capture the effects of corporate financial performance on corporate social performance, the amount of total assets, the amount of net income, and the number of years of the establishment of each firm. The selection of these *resource* variables is consistent with past studies that shed light on the role of slack resources, such as cash flow, accounting returns, and profits, on corporate social performances (McGuire, et al., 1988; McGuire, Schneeweis and Branch, 1990; Vogel, 2007; McWilliams and Siegel, 2001).

In addition, we include two groups of control variables for analysis. We first use the nine industry dummy variables to detect which industries are more likely to adopt CSR reports. These include mining, utilities, construction, distribution, transportation, ICT, finance, real estate, and other industries variables. The manufacturing industry serves as the comparison category. To control for the local variation, we use the area variable that are then broken out into North, Northeast, South, Southwest, Central, Northwest, and East. The East is used as the comparison category.

We analyze the adoption of CSR reports by Chinese firms using event history analysis and link it to both political dependency and world cultural influences. Our unit of analysis is the company-year from 2005 to 2015 and includes 2,863 Chinese companies. Since the dependent variable is the adoption of CSR reports, both the occurrence and the timing of the event, the adoption of the first reports, matter. It naturally justifies the use of event history analyses.

Results

We report estimates of the adoption rates that each listed firm in China is likely to adopt a CSR report from 2005 to 2015. In model 1 of Table 6 we report estimates of the adoption of non GRI-based reports closely linked to state guidelines, whereas in model 2 we report estimates of the adoption of GRI-based reports, which are more closely aligned with global standards. Table 3 displays results of the estimates of all the reports without the differentiation.

As shown in the results of Model 1, we find strong evidence that the adoption of non-GRI reports is associated with all the three variables measuring political embeddedness. Private firms are less likely to adopt the reports reflecting government directives than SOEs. Both law violations and NPC/CPPCC memberships positively influence the adoption rates. To the contrary, we find no evidence that the adoption of non-GRI reports is propelled by global cultural and institutional influences. None of the variables except the industry diffusion measure show significant effects in the anticipated directions; both the variable of global experiences of board members and the export industry variable display negatively significant effects, suggesting that adopting government-directed reports would not be the option globally-attuned companies choose to fulfill social performance responsibilities.

By contrast, estimates of the adoption of GRI-based reports in Model 2 of Table 6 provide dramatically contrasting results; the adoption of reports prepared with more global standards is more likely in the Chinese listed firms that are more closely linked to global society including global economic networks. The effects of the global experiences of board members indicator and the participation in Boao Forum show the anticipated positive effects, while the export industry indicator shows no significant effects. The industry diffusion effects also remain relevant. Note that the effects of political connectedness variables also appear to be relevant yet only with more attenuated effects; private firms influence negatively the likelihood that firms adopt GRI-based reports, and NPC/CPPCC memberships influence positively yet only with the conservative .01 level. The listed companies with the records of law breaking are also likely to publish GRI-based reports.

The results concerning the control variables in both models in Table 6 are also interesting. Slack resources seem to matter in motivating Chinese firms to engage in CSR reporting. Both assets and the number of years of founding show positively significant effects on the adoption rates of globally-oriented reports. The amount of net income, however, appears to be irrelevant. Turning attention to industry sectors, we find negatively significant effects of mining, utilities, transportation, finance, and real estate sectors on adoption rates of both GRI and non-GRI reports, suggesting the Chinese listed-firms in these industries are less likely to

publish CSR reports compared with the manufacturing sector. In regards to the effects of regions, geographical locations of South and Northwest influence negatively the adoption of CSR reports compared to the Eastern region.

Finally, we also note the relevancy of both political embeddedness and world cultural pressure in the results displayed in Model 3 of Table 6. With the combined dependent variable measuring overall adoption of CSR reports, we find strong evidence that the linkage between Chinese firms and political authorizes, such as the Chinese government and political party, strongly motivates the CSR movement in the Chinese business world, whereas the effects of global linkage shows limited effects due to the overwhelming influence of the results concerning the Chinese firms endorsing non-GRI reports.

Conclusion

To what extent is the adoption of CSR reports attributable to political signaling or world cultural pressure? What accounts for the variation on the factors shaping CSR reporting initiatives in China? In an attempt to answer the questions raised, we analyzed the adoption of CSR reports compiled by 2,863 listed firms in China from 2005 to 2015 via an event history framework. We find that world cultural pressure shows more impacts on the adoption of global CSR disclosure and political embeddedness has more influences on the adoption of local guidelines in China.

With the key findings from our analyses, we reflect on larger implications of our research. Among world society researchers, there are growing interests in the specific characteristics of local variations in global diffusion processes. Recently, theoretical and empirical efforts were made to investigate how to better explain local variations with the global diffusion framework (Elliott and Schmutz 2016; Suárez and Bromley 2016). Pope and Meyer (2016) contribute to this line of research by conceptualizing characteristics of global diffusion processes that affect local variations. They identify six characteristics, structural embeddedness, decoupling, domestication, contingent diffusion, multiple diffusion, and multi-level diffusion. Future research needs to study ways in which global models undergo local modifications or adaptations in emerging economics. It would permit us to offer valid case studies to understand local variation dynamics in light of world polity perspective.

World society researchers have recently expanded their interests from states to other agents including corporations (Lim and Tsutsui, 2012; Meyer et al., 2015; Pope and Meyer, 2016). But, there is still scant attention to the extent to which world polity explanation is valid for the corporate world, especially the businesses in emerging economies. China and Chinese business world offer an unusual setting in which global models impact local society but often collides with local standards, which has long historical origins.

To large extent, inadequate scholarly attention to China is associated with political and cultural uniqueness of China and lack of data on China. Recognizing the increasing influence of China as an emerging economy yet a global power, researchers need to produce more empirical works investigating both China's conformity to and deviation from remarkable unfolding of globalization. Specifically, further research needs to address the mechanisms by which Chinese corporations strategically adapt government signaling and world cultural pressure.

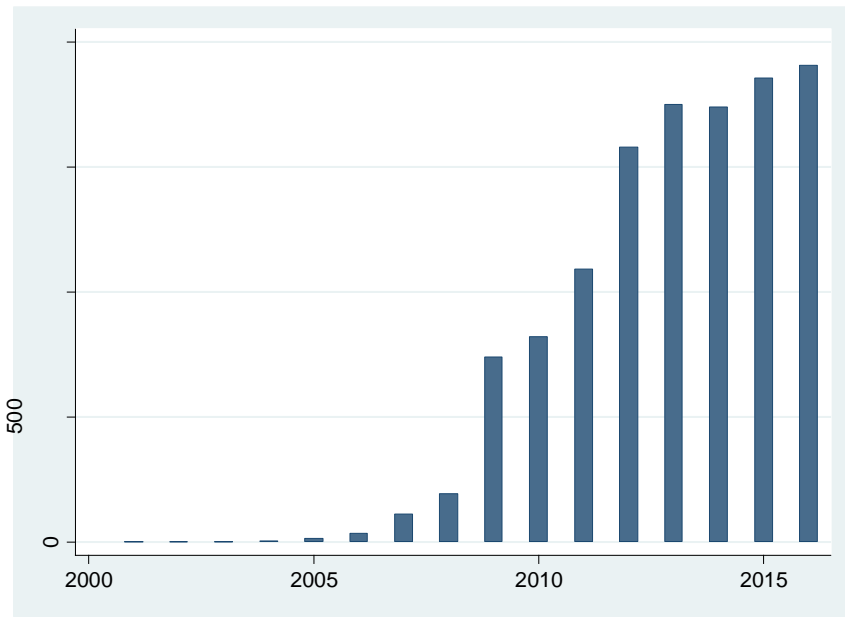
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Figure 1: Trend of CSR Disclosure in China, 2005-2016



Source: GoldenBee (2017)

Figure 2: Kaplan-Meier Hazard Ratio of Non-GRI Adoption

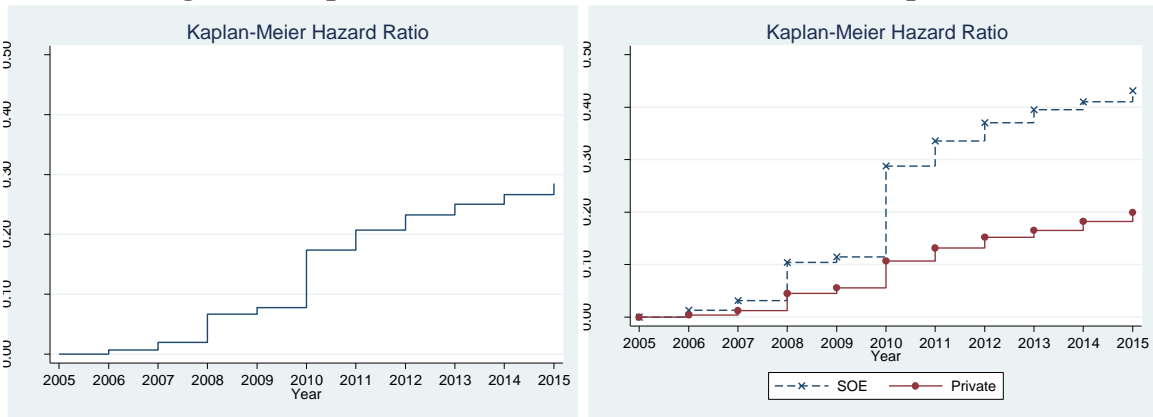


Figure 3: Kaplan-Meier Hazard Ratio of Adoption of GRI Reports

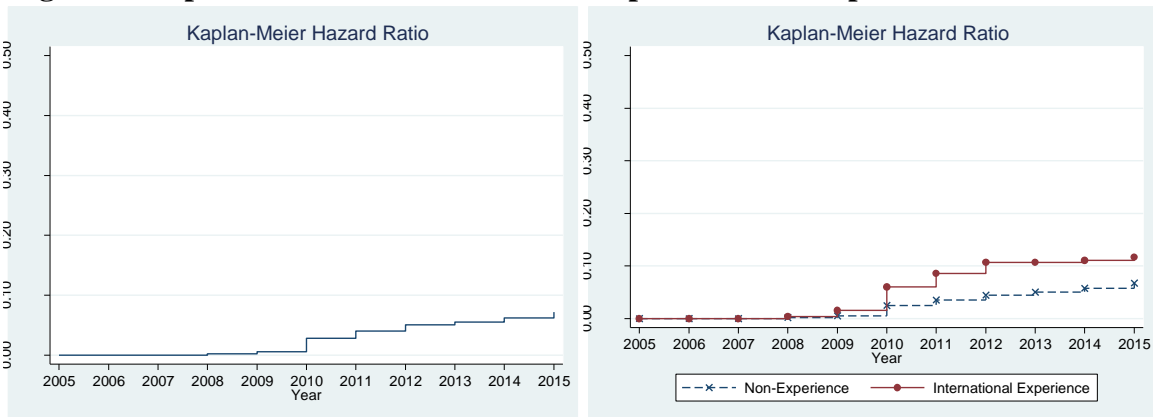


Table 1: Development of the CSR Disclosure Guidelines since 2006

Year	Note
2006	The Shenzhen Stock Exchange Social Responsibility Instructions GRI G3 Guideline
2008	Guidelines to SOEs on Fulfilling CSRs by State-owned Assets Supervision and Administration Commission The Shanghai Stock Exchange Social Responsibility Instructions
2009	CASS CSR 1.0 Guideline
2010	ISO 26000
2011	CASS CSR 2.0 Guideline GRI G3.1 Guideline
2012	CASS CSR 3.0 Guideline
2013	GRI G4 Guideline
2015	GB/T 36001 (Standardization Administration of China)
2016	GRI Sustainability Reporting Standards
2017	CASS CSR 4.0 Guideline

Source: Marquis and Qian 2013; GRI 2017

Table 2. The Adoption of CSR Disclosure Guidelines in China (2016)

CSR Guidelines	Organization	Ratio
GRI G4 (2013)	Global Reporting Initiative	21.2%
CASS-CSR3.0 (2012)	Chinese Academy of Social Sciences	20.3%
Guidelines on Environmental Information Disclosure (2008) Social Responsibility Instructions to Listed Companies (2006)	Shanghai Stock Exchange Shenzhen Stock Exchange	18.9% 13.8%
GB/T 36001: Guidance on Social Responsibility Reporting (2015)	Standardization Administration of China	10.5%
ISO 26000 (2010)	International Organization for Standardization	9.8%
Guidelines to SOEs on Fulfilling CSRs (2008)	State-owned Assets Supervision and Administration Commission	9.4%
ESG Reporting Guide (2015)	Hong Kong Exchange	5.3%
CSR Guidelines of Industry Associations (2007-)	Various Industry Associations	3.6%
Guide on Social Responsibility for Chinese Business Enterprises and Associations (2008)	All-China Federation of Industrial Economics	2.9%
Others		17.2%
None		4.8%

Source: GoldenBee 2017

Note: This list includes non-listed companies. Some companies adopted multiple guidelines.

Table 3: Descriptive Statistics

Theory	Variables	Measurement (Sources, except for CSMAR)	Min	Max	Mean	Std. Dev.
Dependent Variable	GRI adoption (d)	Adoption of GRI	0	1	.03	.18
	Non-GRI adoption (d)	Adoption of Non-GRI	0	1	.16	.36
Governmental signaling	Private company (d)	Private company by ownership	0	1	.55	.50
	Violation of the law (d)	Record of violating the law	0	1	.29	.46
	Political tie	NPC/CPPCC membership of board members (China Infobank)	0	2	.05	.24
Neo-institutionalism	International experience	Overseas work and study experience of board members	0	2	.36	.53
	Boao forum (d)	Participation of the Boao Forum (Boao Forum Official Webpage)	0	1	.01	.10
	Export industry (d)	Top-ten-exports industries (www.worldstopexports.com)	0	1	.31	.46
	Industry effects	Number of adoptions in the same industry	0	.4	.03	.05
Control variables	Assets (log)	Amount of total assets	10.8	30.7	21.77	1.48
	Net income (log)	Amount of net income	0	26.3	16.45	5.94
	Year (log)	Number of years after its establishment	0	3.6	2.58	.44
Industry Sector (The Guidelines for the Industry Classification of Listed Companies)	Mining	Extraction of naturally produced minerals	0	1	.03	.17
	Manufacturing	Manufacturing industry	0	1	.59	.49
	Utilities	Electric power, heat, gas and water	0	1	.04	.20
	Construction	Construction industry	0	1	.03	.16
	Distribution	Wholesale and retail industry	0	1	.06	.24
	Transportation	Transport, storage and postal service	0	1	.04	.19
	ICT	Information technology and software	0	1	.05	.22
	Finance	Financial industry	0	1	.02	.15
	Real Estate	Real estate industry	0	1	.06	.24
Others	Education, health and social work etc.	0	1	.08	.27	
Area	East		0	1	.40	.49
	North		0	1	.15	.36
	Northeast		0	1	.06	.23
	South		0	1	.16	.37
	Southwest		0	1	.08	.27
	Central		0	1	.09	.28
	Northwest		0	1	.05	.23

Table 4: Event History Analysis of Adoptions of CSR Report, China, 2005-2015

Theory	Variable	Model 1 Non-GRI (Coef.)	Model 2 GRI (Coef.)	Model 3 All Reports (Coef.)
Political embeddedness	Private company	-1.16*** (.09)	-.46* (.20)	-.98*** (.08)
	Violation of the Law (dummy)	2.12*** (.10)	2.54*** (.20)	2.02*** (.10)
	Political tie (NPC/CPPCC membership)	1.33*** (.13)	.48+ (.27)	1.01*** (.13)
World polity influence	International experience of board members	-.50*** (.08)	.38* (.16)	-.39*** (.07)
	Boao Forum (dummy)	.50 (.32)	1.72*** (.34)	.84** (.26)
	Export industry (dummy)	-.23* (.10)	-.27 (.24)	-.20* (.09)
	Effects of the same Industry Sector	13.59*** (.56)	18.02*** (2.61)	8.86*** (.40)
Control variables	Assets (log)	.54*** (.03)	1.17*** (.06)	.60*** (.03)
	Net Income (log)	.01 (.01)	.03 (.02)	.03* (.01)
	Year (log)	1.06*** (.08)	1.65*** (.18)	1.07*** (.08)
Industry Sector (Reference Category: Manufacturing)	Mining	-.94*** (.23)	-2.35*** (.45)	-.93*** (.21)
	Utilities	-1.49*** (.21)	-2.64*** (.47)	-1.97*** (.21)
	Construction	.34 (.23)	-1.81*** (.48)	-.24 (.21)
	Distribution	.00 (.18)	.17 (.33)	-.07 (.17)
	Transportation	-.71*** (.20)	-.41 (.37)	-.93*** (.19)
	ICT	.21 (.17)	.29 (.48)	.30+ (.17)
	Finance	-5.83*** (.26)	-9.85*** (1.01)	-7.61*** (.32)
	Real Estate	-.77*** (.20)	-2.38*** (.47)	-.92*** (.20)
	Others	.48** (.15)	.21 (.42)	.49** (.14)
Area (Reference Category: East)	North	-.01 (.11)	.14 (.23)	.03 (.10)
	Northeast	.01 (.18)	.11 (.37)	-.08 (.17)
	South	-.68*** (.12)	-.74** (.24)	-.68*** (.11)
	Southwest	.19 (.14)	.73** (.28)	.18** (.14)
	Central	.17 (.13)	.10 (.32)	.12 (.13)
	Northwest	-.78*** (.20)	-2.01** (.62)	-.82*** (.19)
Constant		-24.24*** (1.31)	-41.13*** (1.56)	-25.43*** (.67)
LR chi2		2275.95	1143.95	2402.24
Log likelihood		-694.75	-171.20	-728.95
Number of Companies/ Episodes		2,863/18,893	2,863/21,882	2,863/18,531

Note: Standard errors in parentheses, + p<.1, *p<.05, **p<.01, ***p<.001

Appendix 1. CSR Report Adopting Non-GRI Guidelines

关于本报告

报告简介

本报告为安徽四创电子股份有限公司第三份社会责任报告，报告回顾了公司 2015 年所面临的机遇和挑战，从市场、经济、环境、社会等方面进行了全面的说明。

编制依据

报告编制依据国务院国资委《关于中央企业履行社会责任的指导意见》(国资发研究[2008]1 号)。

Source: Anhui Sun-Create Electronics CSR Report 2015

Appendix 2. CSR Report Adopting GRI Guideline

Period

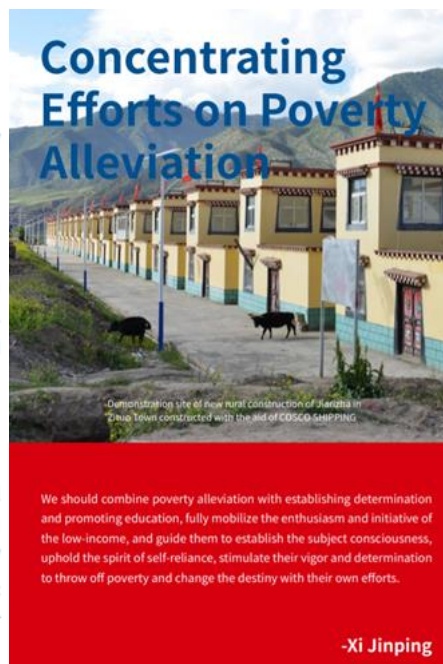
The majority of this report is based on business data from January 1, 2017 and December 31, 2017.

Scope

The information and contents disclosed in this report cover China COSCO Shipping Corporation Limited and its affiliated companies. If some information and content are only relevant to affiliated companies, such will be indicated.

Basis

This report has been compiled with reference to the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards) of Global Sustainability Standard Board (GSSB), GB/T 36001 Guidance on Social Responsibility Reporting, ISO 26000: Guidance on Social Responsibility (2010), the 2030 Agenda for Sustainable Development of the United Nations.



Source: China Cosco Shipping Sustainability Report 2017