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# CSR reporting in China's private and state-owned enterprises: A mixed methods comparative analysis

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## Abstract

The paper pursues a mixed methods approach of conducting both quantitative and qualitative content analysis of corporate social responsibility (CSR) reports in two types of Chinese companies: State-owned (SOE) and non-state-owned (non-SOE) enterprises. Quantitative content analysis revealed overall homogeneity in CSR reporting among SOEs and non-SOEs in China, which can be explained by coercive isomorphism on a national scale. The Chinese government has created an intricate system of incentives encouraging both SOEs and non-SOEs to engage in socially responsive behavior and disclosure. As a result of qualitative analysis, a recurring theme of “strategic emerging industries” (SEI) was identified in the CSR reports of predominantly state-owned banks. This finding provides empirical evidence of the link between the social and economic objectives of the Chinese government, and it shows how state-owned banks mediate between the state and business (SOEs and non-SOEs) as part of a coercive isomorphism apparatus.

**Keywords** CSR reporting · Soes · State-owned enterprises · Strategic emerging industries · China

## Introduction

Chinese state-owned enterprises (SOEs) are the most powerful economic actors in China and count among the largest companies in the world, as per the *Fortune* Global 500 list. Since they are rapidly internationalizing by setting up operations in different parts of the world, it is imperative to understand their behavior, including corporate social responsibility (CSR) practices—as reflected in annual CSR reports. In the last decade, SOEs have become more prominent and economically powerful (Florio 2014; PWC 2015; Tan et al. 2015; *The Economist* 2017). The politically

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motivated strategic priorities of SOEs not only manifest themselves domestically, but they also determine their internationalization objectives (Rudy et al. 2016; Shi et al. 2016). China is frequently referred to as a good example of politically motivated international expansion, and Chinese SOEs not only play a decisive role in domestic economic growth, but their international influence is also increasing by aggressively engaging in foreign direct investment. In fact, in light of their impressive economic performance and aggressive internationalization strategies, the long-held view that they are inefficient has recently been questioned (Bernier and Simard 2007; Clò et al. 2015).

The second reason for exploring CSR reporting by SOEs is theory implications. One of the most recent trends that has the potential to reconcile the tension between a utility-based approach to CSR and its ability to solve social problems is the discussion on the role of SOEs in performing social functions. They are essentially hybrid economic organizations driven by two types of incentives, namely, the bottom line and obligations to the state, their dominant stakeholder. In this regard, SOEs can resolve the paradox of relying on economic actors for solving social problems.

Organizational forms of SOEs differ from country to country, but they now represent 10% of global gross domestic product (Bruton et al. 2015). Their behaviors have political, social, and economic implications. The social obligations and priorities of SOEs might be different from their privately owned counterparts, due to historical or institutional specifics. In China, these specifics include the communist legacy and the extended obligations of the state that are now expected to be taken over by SOEs. The role of SOEs is central to understanding CSR practices in China. According to the results of the survey conducted by CSR Asia and the Embassy of Sweden in China, private companies are perceived as having a lower level of CSR awareness than SOEs (CSR Asia 2014); thus, one should expect variations in CSR behavior between the two. Even though, as See asserts, these variations have not been traditionally emphasized in the comparative CSR literature (See 2009),<sup>1</sup> a body of literature has emerged that addresses the social obligations of SOEs in China (Bo et al. 2009; Shi et al. 2016). Research has been also done on the major themes or priorities reflected in the CSR practices of Chinese SOEs vs. private companies (Chun 2009; Li and Zhang 2010; Kao et al. 2014). To our knowledge, however, no consensus has been reached regarding the CSR performance of SOEs versus their private counterparts in China. Some reports allude to higher levels of social responsiveness by SOEs, as they are more accountable to the government (Li and Zhang 2010), whilst others accentuate a highly complex system of signaling and incentives that encourages non-SOEs to engage readily in CSR (Marquis and Qian 2014). This research contributes to this debate. Furthermore, to our knowledge, a combination of qualitative and quantitative content analysis applied to CSR reports has not yet been used to compare SOEs with non-SOEs. The quantitative approach deals mostly with frequencies of specific words or themes, while qualitative analysis is more

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<sup>1</sup> SOEs and private companies in China have been compared in terms of other aspects of corporate behavior, for example, investments in R&D. Chen et al. (2016) conclude that SOEs are less motivated to invest in R&D than private companies in China.



context-dependent and might reveal latent meanings not easily discernable by word count. Hence, this is the second contribution of this study.

Ownership should be an important determinant of how different stakeholders are addressed in CSR reporting. Based on the stakeholder theory (Werhane and Freeman 1999; Jensen 2002; Barnett and Salomon 2012), CSR has a strategic purpose of leveraging relationships with various stakeholders. Stakeholder management enhances a company's reputation and brand image, minimizes political, social, and legal risks by engaging with the community, different levels of government, and trade unions, boosts employees' morale, and, through it, increases productivity. The stakeholder-focused perspective on CSR strategic value shapes the discussion on CSR practices, including how much power stakeholders hold, how to involve them, or how to create social (for the community at large) and economic (for the enterprise itself) value through CSR (Margolis and Walsh 2003). Stakeholders are a diverse group and typically include consumers, employees, government, suppliers, and, of course, shareholders. "Stakeholder theory" postulates that building relationships with stakeholders leads to higher revenues and growth.<sup>2</sup>

From the stakeholder perspective, one can assume that the CSR priorities of SOEs and non-SOEs in China should be different. What makes SOEs different from private firms is the need to accommodate the political agenda of their state owners, which however, frequently precludes the pursuit of profit maximization. This dynamic is termed "state capitalism" (Liao and Zhang 2014) or "red capitalism" (Walter and Howie 2012). Through ownership, central and regional governments in China can exercise direct control over the operations of SOEs. In fact, based on 2007 data, in a sample of 1481 publicly listed companies, the state had controlling rights in about 63% of cases (Li and Zhang 2010). SOEs are expected to provide social services to the community and employees and serve as instruments of government social and political strategies (See 2009), but they also enjoy a number of advantages, such as easier access to credit from state-owned banks or favorable regulations. Thus, the state as the main stakeholder should be featured more prominently in CSR reporting on SOEs. Indeed, comparing CSR reporting by SOEs and private companies in China in the total sample of over 1500 reports, GoldenBee concludes that the reports of the former display higher coverage of the government as a stakeholder (GoldenBee 2018). CSR reports are one of the means employed to communicate compliance to the government. Furthermore, when the government serves as a source of legitimacy and financial backing, and CSR is imposed from above, the necessity to appease other stakeholders, such as customers or suppliers, is less critical for SOEs than for their private counterparts. At the same time, managers and scholars of Chinese CSR notice a general shift in CSR priorities, as the importance of customers and civil society as stakeholders is growing (Moon and Shen 2010; Gao 2009). This change of focus should be more noticeable in the CSR reports of private companies compared to their SOE counterparts.

<sup>2</sup> Alternatively, shareholders' interests constitute the main priority for corporations, according to the "shareholder theory" (Friedman 1970).



Contrary to the straightforward argument about the importance of the state as a stakeholder in SOEs, a more nuanced view of the intricate power relationships in China (for instance, expressed in Marquis and Qian (2014)) implies the convergence of CSR reporting among SOEs and non-SOEs, the latter of which actively respond to CSR reporting requirements signaled by the state, in order to compensate for the lack of political legitimacy. The “coercive isomorphism” concept is used to explain this power dynamic and serves as a theoretical framework for examining similarities in content between SOEs and non-SOEs in China.

To summarize, this paper pursues a comparative research design looking into the CSR reporting<sup>3</sup> in two types of Chinese companies: SOEs and non-SOEs. These companies are sampled from the 2017 *Fortune* Global 500 list (Fortune Global 500 2018a, b), which ranks the world’s largest enterprises based on revenue. We compare the reports quantitatively based on major CSR themes from the coding scheme in Lockett et al. (2006) and Moon and Shen (2010). This coding scheme groups keywords around four themes: Stakeholder, social, environmental, and ethics. We assume that the frequencies of keywords belonging to different themes determine the thematic priorities in CSR reports of SOEs and non-SOEs. Thus, the first research question is: Based on quantitative content analysis, do themed CSR priorities in reports of major Chinese SOEs differ from their privately owned counterparts? Next, since stakeholders, especially the state, are believed to play such an important role in CSR reporting of Chinese SOEs, we compare the reports based on the frequencies of specific keywords in the “stakeholder” theme. Therefore, the second research question is: Based on quantitative content analysis, does the importance of various stakeholders in CSR reports of major Chinese SOEs differ from their privately owned counterparts? For qualitative analysis purposes, we merge the three-dimensional “Corporate Social Performance” model (Wood 1991) with the stakeholder theme. The analysis is based on the nexus of stakeholder-related keywords and reflections on the socially responsive principles, processes, and outcomes addressed in the CSR reports. Therefore, the third research question is: Based on qualitative content analysis, do the stakeholder-related principles, processes, and outcomes in CSR reports of major Chinese SOEs differ from their privately owned counterparts? In many respects, it is an inductive project, but the above research questions serve as guidelines for investigation.

The paper is structured as follows. The next section provides an introduction to the Chinese CSR landscape and identifies major stakeholders. The two strategic goals of the Chinese government are discussed, namely, economic and social development. In this regard, the “harmonious society” concept and the effort to enhance national competitiveness by supporting “strategic emerging industries” serve as illustrations of these objectives. We then delve into the definition of SOEs and the link between them and CSR in China. Finally, the paper discusses the relevant literature on the association between ownership and CSR. The following sections introduce the methodology, present the results and draw conclusions.

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<sup>3</sup> We understand the limitations of CSR reports—they might not accurately reflect the actual CSR practices.



## CSR in China

CSR in China has a national and a strategic character. Viewed as an instrument of state policy, it must promote overall economic and social development even when it is exercised by individual organizations. The government remains a strong driving force behind CSR reporting despite the emergence of new stakeholders such as consumers, environmental NGOs, or stock exchanges. Theoretically, the overarching presence of the state as a stakeholder should be more prominent in the CSR reports of SOEs than in those produced by non-SOEs; however, a number of scholars argue that non-SOEs are equally prone to succumb to cohesive pressures exerted by the government, resulting in across-the-board similarities in themes and priorities addressed in the CSR reports of SOEs and non-SOEs.

### National character of Chinese CSR

CSR reporting by Chinese companies, especially SOEs, is strongly supported by the government. Since 2006, numbers of laws and directives have been initiated to integrate CSR reporting into corporate governance structures. The State-owned Assets Supervision and Administration Commission of the State Council (SASAC) serves as an instrument of government policy in this regard. SASAC promotes CSR to address corruption, enhance environmental protection, safeguard employee rights, and improve product and service quality (Sutherland and Whelan 2010). SASAC launched in 2008 the CSR Guidelines for SOEs, which aimed to promote a “harmonious society” by balancing economic development with sustainability (Peters and Röß 2010). Furthermore, it mandated the SOEs under its supervision to publish CSR reports (Zhao 2012). By the end of 2012, over 1600 CSR reports by both SOEs and private companies had been released in China (Liu 2015). As Liu (2015) notes, this is a considerable change compared to the period between 1999 and 2005, when only 22 reports had been issued. In 2018, a total of 1676 social responsibility reports were released, mainly by SOEs in the manufacturing, financial and insurance, information technology, power, coal, water and gas production, supply, social services, storage and transport industries (GoldenBee 2018).

CSR in China exhibits two unique characteristics: The importance of the state as a driver of economic development, and socially responsible behavior (Gao 2009). These objectives place the “harmonious society” and “scientific development” at the top of the social and economic agenda (Yin and Zhang 2012), and according to Sutherland and Whelan (2010), they were the most frequently repeated themes in the CSR reports of the largest internationally active Chinese SOEs. The “harmonious society” aims at elevating the societal challenges engendered by rapid economic development (See 2009, 2014; Wang and Juslin 2009). China is facing a number of social and environmental problems, such as social inequality or pollution, and the “harmonious society” was identified as the framework for tackling these problems. The policy was introduced by President Hu Jintao back in 2005 and is conceptually likened with CSR while featuring ethical values built on Confucianism (Bergman



et al. 2015). SOEs, according to See (2009), are granted a special mission to build a “harmonious society” through their CSR practices. The policies related to “strategic emerging industries” (SEIs) are part of this agenda and combine the economic and social priorities of the government.

The SEIs concept was developed in 2009 and then communicated in the State Council’s Decision on Accelerating Development of Strategic Emerging Industries (October 10, 2010) (Prud’homme 2015). The SEI is a centrally conceived initiative to enhance innovation and technological development and at the same time address environmental and socioeconomic problems in China. The State Council’s Decision on SEIs broadly outlines a range of measures aimed at promoting these industries, including tax rebates and financial subsidies (The US-China Business Council 2013).<sup>4</sup> The obvious link between SEI and CSR is the nature of the industries. The list of SEIs from 2013 and 2016 included new energy vehicles (NEVs), new energy and energy efficient, as well as environmental technologies (US-China Business Council 2013; Ban and Hou 2017). The NEV category contains electric vehicles and fuel cell automobile technology, while “new energy” relates to solar and wind power, as well as biomass technology (Prud’homme 2015). The connection between these industries and sustainable, environmentally conscious CSR practices is clear. However, the connection of other SEIs (for instance, IT or biotechnology) to CSR themes is less obvious. These industries are more related to the goals of economic development and international competitiveness pursued by the Chinese government. From the Chinese government’s point of view, social development epitomized by the concept of a “harmonious society” and economic development prompted by technology are closely linked. Adherence to international CSR standards is understood as part of the national strategy to enhance the competitiveness of Chinese companies abroad (Levine 2008; Gugler and Shi 2009). Based on a survey of business owners, Xu and Yang (2010) identified the promotion of national and local economic development, as well as technology and innovation, as unique CSR dimensions vis-à-vis Western perceptions of CSR. This implies that CSR in China is viewed as part of the overall national social, environmental, and economic strategy rather than a social responsibility exercised by individual organizations—as it is commonly perceived in the West. CSR in China thus has a national character.

## Chinese SOEs and CSR

SOEs can be defined as “legally independent firms with direct ownership by the state” (Cuervo-Cazurra et al. 2014, p. 923), and “any corporate entity recognized by national law as an enterprise, and in which the state exercises ownership” (OECD 2015, p. 12). The OECD specifies that an SOE can be a joint stock company, a

<sup>4</sup> The main financial responsibility, however, lies not with the central government, but with local governments. Local government designate various funds and programs to provide financial support to SEI firms in their regions (The US-China Business Council 2013). Frequently, the conditions to receiving these designated or “special” funds is to present locally developed intellectual property (The US-China Business Council 2013; Prud’homme 2015).





limited liability company, or a partnership limited by shares. Under any of these arrangements, the state should be able to exercise control either through owning the controlling stake or when the corporate articles of association ensure state control, or through such vehicles as a “golden share” (OECD 2015). The forms of control can vary. Government control can also be exercised via shareholdings in government pension funds, asset management funds, etc. (PWC 2015). Generally, the condition is that SOEs are effectively under government control (Mallon 1981, p. 281).

Essentially different criteria could be applied when performance evaluating SOEs, implying that their objectives go beyond economic efficiency. These criteria may include “quality of service, accountability, transparency, quality of the workplace, sustainability, solidarity, public ethos” (Florio 2013, p. 147). But even though the government expects SOEs to act in the “public interest,” there might be confusion among SOE managers about the strategic priorities of their companies or their own roles. Based on a survey of Indian SOE managers, profitability for many of them was high on their priority list (Ramamurti 1987). Indeed, it is not only managers in India who are confronted with various contradictions and dilemmas as far as the challenge of meeting divergent expectations is concerned. SOE managers in New Zealand share similar experiences and have to face effectively a system of “double standards” with regard to performance evaluation (Luke 2010). Different organizational structures and evaluation criteria imply that the motivations of SOEs cannot be easily divided into “private” and “public” priorities (Florio and Fecher 2011). Bruton et al. (2015) call them “hybrid organizations” and suggest a new framework for understanding the complexity of SOE objectives and motivations.

The mandate of SOEs to serve as a medium of social and economic policy could be characterized as a unique feature of Chinese CSR practices. The public sector in other countries is expected to deliver social services, but the extent of this expectation might differ. The strong legacy of central planning in China is lingering in the form of an intricate system of incentives whereby, in combination with institutional and legal capriciousness, businesses rely on government support in exchange for more communal involvement, philanthropy and social mediation. The role of SOEs in this intricate system of incentives is especially noteworthy, particularly the role of state-owned banks. In this context, the role of state-owned banks is not only to engage in CSR and alleviate social problems, but also to become the instruments of government policies and provide financing for projects deemed strategically important by the state. They are not only supposed to engage actively in CSR themselves, but also to help other SOEs or private firms in their CSR-related projects, especially those involving new, environmentally conscious technology. Banks are encouraged to include CSR considerations in the extension of credit (Levine 2008). Tylecote and Cai (2004) discuss the obligations of state-owned banks in China to provide loans to SOEs for upgrading technology. It is a double social responsibility, and in addition to economic responsibility to shareholders, it makes banks responsible in three ways.

Before the restructuring reforms in the mid-1990s, Chinese SOEs carried a heavy social burden, including kindergartens, housing, recreational facilities, permanent employment contracts, etc. The reforms entailed relief from various social obligations and ownership restructuring, which allowed for owner diversification (Bo





et al. 2009; Xu et al. 2005). Many SOEs have been transformed into corporations and listed on the Chinese stock exchanges, but they still have a large government stake (Kao et al. 2014). Kao et al. suggest, based on their empirical findings, that SOE managers mainly serve the interests of the government rather than other shareholders, whilst CSR serves as an appeasement mechanism or mechanism of building social capital with the government. In addition, larger and less profitable firms have been found to invest more in CSR (Kao et al. 2014), which implies a sort of compensation mechanism. Zu and Song (2009) confirm this conclusion. Based on the survey of Chinese managers, they found that firms with poorer economic performance, including SOEs, tend to have managers with higher CSR values. Bo et al. (2009) argued that due to government ownership and the consequent lack of profit concerns, Chinese SOEs continue to pursue social rather than profit objectives when engaging in CSR.

Despite the reforms in the 1990s, that relieved somewhat the expectations from SOEs (maybe mainly in the public eye), government claims on SOEs as a *quid pro quo* arrangement are still in place. Local and central governments want more involvement of companies in tackling social problems, which is theoretically the mandate of the state and a source of its political legitimacy: “CSR has become a feasible tool for mitigating the impacts of a neoliberal economy” (Tan-Mullins and Hofman 2014, p. 5). Moreover, according to Bai et al. (2006), SOEs are the second-best means of addressing public concerns or maintaining social stability. According to See, they are seen as instruments of state policies to encourage CSR, and non-financial objectives are written into CEO contracts (See 2009). The motivation of the government to promote CSR practices among SOEs might also be related to the intention to turn SOEs into role models or trendsetters for others to follow (Córdoba-Pachón et al. 2014).

To conclude, the government wants companies, and especially SOEs, to contribute to solving social problems. How do SOEs benefit from this arrangement? Companies need access to state resources, and SOEs are still seen as “social organizations” rather than “economic organizations” in China, because of the give-and-take relationship with the government (Enderle 2001). This interdependence is a result of the extensive interference of the latter in economic relations and high levels of uncertainty in the enforcement of laws (Zhao 2012). Companies, not only SOEs, “often need to secure the business survival or reduce the regulatory uncertainty by accessing tangible or intangible state resources” (Zhao 2012, p. 442). Bank loans on favorable terms are one of these benefits. SOEs are embedded in the state bureaucracy and “may enjoy privileged access to the legislation process”... “and to business opportunities or state projects in social-environmental areas due to their advantages in financial capital, technology and state connections” (Zhao 2012, pp. 451–452).

### **Role of ownership in Chinese CSR**

The role of ownership in CSR reporting in China is a new area of research. A number of empirical studies have tackled the issue but have come to divergent



conclusions. The pressure exercised by the government over SOEs to engage in CSR and report about their activities has been confirmed by many observers (See 2009; Li and Zhang 2010; Yin and Zhang 2012; Wu and Pupovac 2019). Building relationships, especially with local authorities, is crucial, and CSR is one of the means of maintaining these connections (Banik and Lin 2019). See (2009) emphasizes the strategic role played by SOEs in realizing government social and political objectives. SOEs are instructed to disclose their CSR activities, and protect jobs and the environment. They are also expected to contribute to building the aforementioned “harmonious society” (See 2009). Furthermore, See concludes that, based on this strategic role attributed to SOEs, “CSR in China in the near future will be largely concentrated in SOEs and is unlikely to be widespread in the growing private sector [...]” (See 2009, p. 18). Xu et al. (2015) argue that in China, SOEs’ CSR behavior is different from privately owned enterprises, because SOEs prioritize goals such as social welfare and full employment. Li and Zhang (2010) find a positive association between government ownership and CSR, as SOEs can divert their resources to socially responsible activities in response to government signaling.

Marquis and Qian (2014) contend, however, that privately owned firms might be even more responsive to government signals. Non-SOEs in search for political legitimacy and access to resources provided by the state are eager to comply (Marquis and Qian 2014, p. 131). Bergman et al. (2015) confirm this sentiment by stating that private enterprises invest in “high-profile” CSR activities to compete for the attention of political actors. Gaining political legitimacy is strategically important for private enterprises, as their contacts with state officials might be limited in comparison to SOEs; thus, they use CSR as a means of obtaining government-sanctioned benefits. Dai et al. (2018) find an association between the quality of CSR reporting and gaining political legitimacy in China; the higher the level of CSR disclosure, the greater the level of government subsidies. This conclusion is in line with Yu and Lee (2016), who, based on their sample of Korean SOEs, established that fewer politically connected SOEs engaged actively in CSR during the global financial crisis, in order to gain more political legitimacy. Thus, CSR behavior is used as a currency in exchange for government approval and economic benefits.

On the one hand, the above argument in Marquis and Qian (2014) implies that SOEs might be more relaxed in their CSR reporting and will mainly engage in *decoupling*<sup>5</sup> or formal compliance, which lacks substantive dedication, while the efforts of privately controlled firms might be more “genuine”. Kuo et al. (2012) conclude that SOEs in China are more committed to environmental issues than private enterprises. Chun (2009), however, based on a survey of employees in the coal-extracting companies, both private and SOEs, determined that SOE employees had less appreciation of environmental conservation and overall expressed poorer attitudes toward the environment than employees of private firms. This finding alludes to decoupling by SOEs, but it might also indicate the domineering

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<sup>5</sup> “Decoupling” is “the symbolic compliance with a stakeholder demand without making substantive changes” (Marquis and Qian 2014, p. 133).



role of the government as an attitude-forming force in SOEs, since the attitudes are not intrinsically motivated but rather externally imposed.

Tam (2002) noted that despite a high concentration of ownership in Chinese SOEs, the state did not exercise effective control of operations, which instead rested primarily with insider-managers who had close associations with respective (based on industry or location) Communist Party and ministerial associates. Top management positions, including on the company's board, were hand-picked by the government (Tam 2002). This system entails the promotion of politically connected rather than professional managers and constitutes another reason for these political protégés to communicate loyalty and compliance with CSR-related regulations, not only to their direct sponsors, but also to other branches of the government or the Party. Indeed, CSR reports can serve this purpose for SOE directors. Since 2016, as a response to Party signaling, SOEs have been integrating Party officials into the governance structure, and now it is part of official regulation (Wang and Xin 2020). This demonstrates that the Party has had concerns about the decoupling and struggles to maintain control of SOEs' operational management. Thus, SOEs' managers had and still have their own anxieties (side by side with non-SOEs) about political legitimacy.

Therefore, on the other hand, the argument in Marquis and Qian (2014) implies the convergence of CSR reporting among SOEs and non-SOEs, even though their motivations might be different. SOEs follow the CSR reporting guidelines imposed from above to continue leveraging their proximity to the state (and retain political legitimacy), and non-SOEs enthusiastically follow the same guidelines to compensate for the lack of political legitimacy. The highly complex system of CSR-endorsing incentives and signaling engendered by the Chinese government alludes to coercive isomorphism as an explanation for the convergence of CSR practices. The concept of "coercive isomorphism" originates in organizational theory and refers to organizational homogenization as a consequence of "compliance with official and unofficial rules resulting from expectations of reward or punishment for non-compliance" (Jiang et al. 2018, p. 428; DiMaggio and Powell 1983). Chen et al. (2018) demonstrate that coercive isomorphism (as a result of governmental pressures) plays a prominent role in corporate philanthropy by private firms in China. After examining the websites of the top 100 companies in China in 2007, Gao (2009) concluded that there is little difference between SOEs and private companies regarding the major CSR themes discussed or the stakeholders addressed. Yeh et al. (2020) also failed to find a moderating effect of ownership structure in the relationship between CSR performance and the cost of capital.

To conclude, we still lack understanding of the effects of ownership in terms of Chinese CSR, so a comparative analysis of CSR reporting by SOEs and non-SOEs is a worthwhile exercise. Recently, the power of consumers, environmental activists, and other representatives of civil society in China has been increasing. Thus, one can attempt to identify differences or similarities in reporting, based on the emphasis placed on a variety of stakeholders in the CSR reports of both SOEs and their private counterparts. With this in mind, the next section discusses major stakeholders in this regard.



## Power of stakeholders in China

Moon and Shen (2010) noted the paradoxical nature of CSR in China. Traditionally, CSR is associated with activities that go beyond what is required by governments, but in China the state is the main promoter of CSR, and through the introduction of market reforms, it quasi-transferred some of its social obligations to SOEs and private firms; these obligations took the form of CSR. While in the West CSR is directly driven by consumers, media, civil society, or employees, and from a strategic point of view corporations have an incentive to build rapport with these stakeholders, the effect of these groups in China is still weak. See (2014) notes that the activities of NGOs in China are constrained by the government, and even if they wish to register, they need a government sponsor. They also have limited media access. Yin and Zhang (2012) ascertain that consumers, competitors, or the community at large hardly constitute a prominent CSR priority for a sample of Chinese managers, and the main drivers of CSR for both SOEs and private firms were international buyers and the government (Yin and Zhang 2012). Employees were also identified as important stakeholders, but in some cases the CSR reports were oriented exclusively toward the government and disregarded other stakeholders (Yin and Zhang 2012). Kao et al. (2014) stress that SOE managers mainly serve the interests of the government rather than other shareholders. Nevertheless, the prominence of consumers and civil society, or organizations such as stock exchanges, is growing as more attention is granted to their strategic role for Chinese CSR by managers and scholars alike (Moon and Shen 2010; Gao 2009; Levine 2008). Especially environmental NGOs have become a powerful force, due to the government's commitment to tackling related problems (Tan-Mullins and Hofman 2014). Furthermore, as per Tan-Mullins and Hofman (2014), labor organizations are beginning to gain prominence, and "CSR opens up opportunities for the creation of alternative communication channels in firms through which workers can voice their concerns" (p. 11).

Miska et al. (2016) argue that both internal (government) and external (globalization) factors lead to the appropriation of international CSR standards. Export-oriented firms and those supplying to foreign MNEs in China are being pressured to comply with international CSR standards, including the Global Reporting Initiative (GRI), United Nations (UN) Global Compact, International Labor Organization (ILO) Conventions, the Organization for Economic Cooperation and Development (OECD) guidelines, and the International Standard Organization's (ISO) standards (ISO 14001 and ISO 26000). This external pressure is another driver of CSR in China (Yin and Zhang 2012; Gugler and Shi 2009), albeit its influence is reported to be decreasing, as per Wang and Juslin (2009), and being taken over by domestic pressures such as government or society at large.

CSR in China seems to go through an evolutionary process: First imposed from outside by foreign buyers in the country and beyond, then progressed into becoming a national priority in the fight against social ills and the pursuit of global economic competitiveness, and now, finally, while still being driven by the state, it is becoming more accountable to consumers, NGOs, stock exchanges, investors, and other stakeholders. If the role of these stakeholders is growing, then they should have a stronger presence in the reports of non-SOEs, who are more exposed to the risks associated



**Table 1** CSR theme categories and associated keywords

CSR theme categories	Key words	CSR theme categories	Key words
<i>Social</i>	Social	<i>Environmental</i>	Environmental
	Philanthropy		Sustainability
	Philanthropic		Green
	Charity		Ecology
	Charitable		Ecological
	Community		Conservation
	Volunteer		Pollution
	Welfare		Nature
	Donate		Natural
	Donation		Awareness
<i>Ethics</i>	Ethics	<i>Stakeholders</i>	Stakeholder
	Moral		Accountability
	Value		Reputation
	Corruption		employee
	Ethical		Partner
	Crime		Shareholder
	Criminal		Customer
	Integrity		Government

Source Adopted from Lockett et al. (2006) and Moon and Shen (2010, p. 618)

with bad publicity, customer boycotts, or any other negative consequences of failed stakeholder management than SOEs. We might be able to identify these differences in priorities by comparing the CSR reports of SOEs and non-SOEs. The next sections address the methods used and present the results of both the quantitative and the qualitative analyses, following which we interpret the results in light of the literature discussed above.

## Methodology

In this paper, we utilize both the quantitative and qualitative content analysis of CSR reports from 28 Chinese companies (22 SOEs and six privately owned) sampled from 2017s *Fortune* Global 500 list. The mixed method approach to the analysis of CSR reports ensures triangulation and provides a more systematic scrutiny of manifest and latent content. The paper pursues a comparative research design with the aim of identifying differences and similarities in CSR reporting in both types of companies.

The quantitative content analysis first involved frequency counting of a number of key words corresponding to four CSR themes borrowed from the coding scheme in Lockett et al. (2006) and Moon and Shen (2010) (see Table 1). A few more categories, i.e. “shareholder,” “partner,” “employee,” “government,” and “customer” were



**Table 2** Coding scheme based on “stakeholder” theme

Theme	CSR principles	Processes of responsiveness	Outcomes of corporate behavior
Stakeholders	Social legitimacy	Environmental assessment	Social impacts
	Public responsibility	Stakeholder management	Social programs
	Managerial discretion	Issues management	Social policies

Source Adopted from Wood (1991)

added to the “stakeholder” theme. The goal was to compare the content based on different themes in both types of companies, in order to see if they pursued similar CSR priorities—and to what extent. We then looked closely at the frequencies of keywords associated with the stakeholder theme with the goal of identifying if the emphasis was being placed on the same types of stakeholders in both types of companies. Finally, we conducted qualitative content analysis, focusing on the “stakeholder” theme. We scrutinized the context—sentences with keywords reflecting the “stakeholder” theme—in order to identify differences or similarities between SOEs and non-SOEs. Codes were created that corresponded to the “Corporate Social Performance” model in Wood (1991), which incorporates three dimensions of CSR: Principles of corporate social responsibility, processes involved in corporate social responsiveness, and the outcomes of corporate behavior. The principles reflect a combination of organizational, industrial, and individual values, as well as obligations. The processes and outcomes capture the more practical issues of specific procedures and initiatives. Since the focus of qualitative analysis was stakeholder relations, we created a coding scheme that combined the specific parameters in Wood (1991) with the “stakeholder” theme (Table 2).

## Findings

### Quantitative content analysis: minimal differences

#### Comparing CSR themes in SOEs and non-SOEs

China presents a unique opportunity to look more closely into the differences in socially responsible governance between SOEs and non-SOEs, because of the important role the former play in the Chinese economy. Table 3 presents the results of a keyword count (as a percentage of the total) for Chinese SOEs and non-SOEs based on the four CSR themes: Social, ethics, environmental, and stakeholders. The first column in Table 3 provides the *Fortune* Global 500 ranking, the second—the name of the company and the year of the CSR report publication, and the third—the keyword frequency for each theme category from the total number of keywords counted per company. Most CSR reports were published in 2015. The frequencies for both categories of companies are averaged and standard deviations calculated.



**Table 3** CSR reporting based on the four themes in Chinese SOEs and non-SOEs

Fortune global 500 rank	Company name	CSR theme categories %			
		Social	Ethics	Environmental	Stakeholders
<b>SOEs</b>					
2	Industrial and Commercial Bank of China (2015)	35	7	14	44
3	China Construction Bank (2016)	8	29	4	59
4	Agricultural Bank of China (2015)	28	7	31	34
22	Bank of China (2015)	29	8	22	41
24	China CITIC Bank (2015)	23	7	21	49
38	China Everbright Group (2015)	12	5	59	24
42	China Life Insurance (2016)	37	9	16	38
51	State Grid (2015)	24	11	23	42
68	Sinopec group (2016)	22	14	33	31
83	China National Petroleum (2015)	12	11	40	37
115	China Huaneng Group (2015)	24	5	50	21
136	Shenhua Group (2015)	20	10	40	30
143	China State Construction (2015)	27	8	28	37
162	China Communications Construction (2016)	32	7	26	35
172	PowerChina (2015)	22	10	35	33
190	Dongfeng Motor (2015)	25	9	24	42
211	China Mobile (2015)	19	14	24	43
226	China United Network (2015)	24	0	23	53
241	Aviation Industry Corp. Of China (2016)	31	9	31	29
251	COFCO (2016)	12	13	41	34
274	Sinochem (2015)	22	20	28	30
307	ChemChina (2015)	18	9	40	33
Average		21	9	27	34
STDEV		8	6	12	9
<b>Non-SOEs</b>					
28	China Minsheng Banking (2016)	23	7	24	46
39	Ping An Insurance (2016)	27	8	16	49
47	China Vanke (2016)	34	5	25	36
204	Lenovo (2015/16)	9	6	56	29
205	Huawei (2015)	9	6	48	37
276	Noble Group (2017)	13	16	33	38
Average		20	6	34	39
STDEV		10	4	15	7
<i>t</i> value		1.014	0.827	-0.669	-0.483

Source Own authorship based on the analysis of 28 CSR reports





Both categories seem to prioritize stakeholder relations, and the environment is the second priority followed by social and ethical aspects. Adherence to stakeholders is a noteworthy finding, especially since some observers, for instance Yin and Zhang (2012), note a weak concern of Chinese managers for consumers, competitors, or the community. The most influential stakeholders are government, foreign buyers, and employees (Yin and Zhang 2012). Moon and Shen (2010), on the other hand, note that the importance of civil society and consumers is growing. The next section will address the frequency counts for different groups of stakeholders. For now, however, the most important observation is that the hierarchy of priorities is similar for SOEs and non-SOEs.

Unlike Kuo et al. (2012), we failed to find evidence that SOEs will be more focused on environmental obligations than non-SOEs. It seems, however, that SOEs on average care slightly more about ethics than non-SOEs. SOEs also prioritize social CSR more, while non-SOEs care more about the environment. Independent samples t tests were conducted to compare the means for both groups. Table 3 contains t values. None of these values is statistically significant, thereby indicating that there is no association between the type of ownership and each theme. In other words, there is no significant difference in the themed priorities of SOEs and non-SOEs (privately owned or publicly traded). Therefore, we answer the first question and refute the assumption about the anticipated dissimilarities of priorities between SOEs and non-SOEs in China. This outcome contradicts the postulation that SOEs have a different sets of priorities in addressing social problems vis-à-vis their privately owned counterparts as noted in Xu et al. (2015) and Li and Zhang (2010). Non-SOEs seem to prioritize the same aspects of CSR responsiveness, thus supporting the arguments set out in Marquis and Qian (2014) and Bergman et al. (2015).

The CSR reports are similar in form and content for a number of obvious reasons. First, English-language reports are instruments of international branding, and in most cases they follow global CSR reporting standards, such as the Global Reporting Initiative (GRI) or the United Nations (UN) Global Compact. Furthermore, the writing of reports can be outsourced to independent consultants who provide these services to various clients but retain the same style and vocabulary. However, the content is still based on CSR practices, policies, and activities undertaken by different companies, and our research confirms the homogenization of CSR reports among SOEs and non-SOEs in China.

Coercive isomorphism is one explanation for the convergence of CSR reporting in China: "Coercive isomorphism results from both formal and in-formal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function" (DiMaggio and Powell 1983, p. 150). Indeed, the crucial role played by the state in CSR reporting in China has been emphasized by most observers. The state and SOEs are in a symbiotic or "give and take" relationship, which allows the government to use SOEs as instruments of social and economic policy. The pressure exercised over SOEs to disclose their CSR activities is linked (especially from the point of view of insider managers) to maintaining political legitimacy. However, based on our results, non-SOEs deliver CSR disclosure to the same high standards as SOEs. As per Marquis and Qian (2014), privately owned firms strive for political legitimacy as



well, so they occupy an active CSR position; furthermore, they might be even more sensitive to communications and signals emitted by both local and central authorities in their efforts to get closer to political decision-makers.

If non-SOEs act in the same way, placing similar priorities on the four CSR themes, then maybe state ownership is not a critical factor in determining how business fulfills its social obligations in China. That said, as a theory implication, CSR stakeholder theory can look beyond ownership structure to identify CSR drivers in the Chinese context. SOEs, non-SOEs, government, and state-owned banks engage in an intricate ballet of mutual favors and obligations, which is an elusive social construct.

### Comparing SOEs with non-SOEs, with a focus on stakeholders

Based on the evidence above, stakeholders play an important role in both SOE and non-SOEs' CSR reporting, and so we take a closer look at different stakeholders and their significance as reflected in word counts. Table 4 presents the results of this analysis and reveals little difference in CSR reporting between SOEs and non-SOEs based on keywords following the "stakeholder" theme. On average, both types of companies tend to pay more attention to employees and customers, which confirms the prognosis in Moon and Shen (2010) and Tan-Mullins and Hofman (2014). Shareholders and government are of comparatively little importance to either entity, which is an interesting finding especially in light of the earlier discussion about the significance of the state as the major stakeholder in SOEs. The only explanation is that the reports address the authorities directly, and so they are, therefore, a message of compliance and loyalty—they do not have to mention "government," because its importance is implied. Non-SOEs also primarily write for the government authorities in efforts to gain more political legitimacy. Thus, according to the frequencies analysis, SOEs and non-SOEs have similar priorities as far as stakeholders are concerned. Furthermore, the results of the t tests indicate that there is no statistically significant difference between the two types of companies with regard to their "stakeholder" priorities.<sup>6</sup> Thus, we answer the second question and refute the assumption of differences in stakeholder-focused CSR reporting in both groups.

To conclude, the content of CSR reporting for SOEs and non-SOEs is very similar. Our findings confirm those in Gao (2009), in that there is little difference between SOEs and private companies regarding major CSR themes discussed or stakeholders addressed. Gao (2009) explained that CSR in China might be still in the early development stage; years later, however, the dynamic is still the same. We explain our finding as a realization of coercive isomorphism when the Chinese state has an equally overarching influence over SOEs and non-SOEs alike. The lack of variation between SOEs and non-SOEs in our sample undermines the assumption

<sup>6</sup> Only in the case of the keyword "reputation" did the two groups show a statistically significant difference. The Chi-square value for the relationship between the "reputation" theme and ownership, however, was not statistically significant. The word was so rarely featured in the reports that we can disregard this outcome.



**Table 4** Reporting based on the “stakeholder” theme in Chinese SOEs and non-SOEs

Company name (CSR report/publication year)	"Stakeholders" theme categories %							
	Stakeholder	Accountability	Reputation	Employee	Partner	shareholder	Customer	Government
SOEs								
Industrial and Commercial Bank of China (2015)	8	0	0	57	3	3	26	3
China Construction Bank (2016)	9	0	0	28	1	11	45	6
Agricultural Bank of China (2015)	11	0	0	46	2	4	26	10
Bank of China (2015)	13	0	1	38	3	7	34	4
China CITIC Bank (2015)	4	1	0	42	0	7	35	9
China Everbright Group (2015)	25	0	0	60	3	3	2	6
China Life Insurance (2016)	8	0	0	52	8	4	14	13
State Grid (2015)	29	2	0	31	6	0	17	15
Sinopec group (2016)	13	0	1	32	9	6	38	3
China National Petroleum (2015)	7	2	1	61	7	8	8	7
China Huaneng Group (2015)	15	2	0	44	15	0	2	20
Shenhua Group (2015)	16	4	0	64	1	4	9	3
China State Construction (2015)	23	2	0	57	3	1	8	6
China Communications Construction (2016)	10	1	1	66	4	2	11	7
PowerChina (2015)	5	1	0	80	1	10	2	2
Dongfeng Motor (2015)	12	0	0	41	7	9	20	11
China Mobile (2015)	11	1	0	47	10	2	25	5
China United Network (2015)	4	1	0	33	7	4	44	7
Aviation Industry Corp. Of China (2016)	0	0	0	66	3	0	16	16
COFCO (2016)	16	0	0	69	8	0	2	4
Sinochem (2015)	19	4	1	23	5	7	26	15
ChemChina (2015)	6	0	0	77	2	4	5	5
Average	12	1	0	51	5	4	19	8



Table 4 (continued)

Company name (CSR report/publication year)		"Stakeholders" theme categories %									
	Stakeholder	Accountability	Reputation	Employee	Partner	shareholder	Customer	Government			
STDEV	7	1	0	16	4	3	14				
Non-SOEs											
	China Minsheng Banking (2016)	1	2	52	0	4	30				
	Ping An Insurance (2016)	0	1	32	11	13	36				
	China Vanke (2016)	0	0	44	6	9	31				
	Lenovo (2015/16)	1	0	53	10	3	19				
	Huawei (2015)	0	0	38	10	1	25				
	Noble Group (2017)	5	3	43	13	4	13				
Average	8	1	1	44	8	6	26				
STDEV	4	2	1	8	5	4	8				
<i>t</i> value	1.222	-0.451	-3.446**	1.015	-1.931	-0.855	-1.17				0.973

Significance level (two tailed): \*\* $p < 0.01$ 

Source Own authorship based on the analysis of 28 CSR reports

of the special role played by the former in providing social services through CSR—they might be the instruments of the government policy (both central and local), but non-SOEs seem to have similar CSR priorities. The mutual interdependence of the state and SOEs, produced in the Chinese context by an intricate system of incentives, extends—we assume—to non-SOEs, involving them in a complex web of knobs and levers that trigger similar CSR responses. Non-SOEs, in search of political legitimacy, actively engage in CSR disclosure in response to a system of signals emitted by Chinese authorities.

## Qualitative content analysis

### Minimal differences

The goal of the qualitative analysis is to address more nuanced, contextual differences and similarities between SOEs and non-SOEs in China. Using Perl programming language, sentences containing “stakeholder” keywords were isolated. A coding scheme was created based on the nexus of the “stakeholder” keywords and the three parameters found in Wood’s “Corporate Social Performance” (Wood 1991)<sup>7</sup> model, which covers three dimensions of CSR: Principles of corporate social responsibility (values and obligations), corporate social responsiveness (procedures, including stakeholder management), and the outcomes of corporate behavior (concrete programs and initiatives) (Wood 1991).

The results of the qualitative analysis reveal very few differences in stakeholder treatment in both types of companies. Both SOEs and non-SOEs emphasize the fulfillment of their legal and social obligations before employees, and all companies discuss their attempts to become more attractive employers, including via investments in talent development. Most companies engage employees in CSR practices, for instance via employee volunteering. All reports stress their legal and social obligations before customers and discuss the importance of closely working with suppliers to ensure, for example, a sustainable supply chain. Social responsibility before local community is another common theme in most reports.

There are slight differences, however, in the mechanisms or processes involved in communicating with or “managing” stakeholders. There is a tendency among SOEs to involve top management in identifying and collecting feedback from stakeholders. In the case of China Huaneng, it is the group of “senior leaders” of the Political Work Department (China Huaneng 2015) at China National Petroleum, i.e. “top managerial personnel” (China National Petroleum 2015), and at the Industrial and Commercial Bank of China (ICBC) on the board of directors (ICBC 2015). This is hardly surprising, since the state, in the form of central and local governments, is a potent stakeholder that might require special handling involving senior leaders. Non-SOEs appear to put less weight on the role of top management in stakeholder relations, and they seem to engage with stakeholders more on an organizational level.

<sup>7</sup> The coding was performed by one person, so no internal consistency testing was necessary.



For example, Lenovo reports that local stakeholder engagement is primarily done through its community relations and communications teams (Lenovo 2015/2016). Huawei's human resources, procurement, finance, and corporate communications departments are reported to regularly engage with key stakeholders (Huawei 2015), while China Everbright Group hires independent consultants to conduct stakeholder surveys (Everbright International 2015).

SOEs prioritize personal connections with government officials, while non-SOEs have to develop more systematic and sophisticated ways of building relationships with a diverse group of stakeholders. This finding might be in line with the argument in Marquis and Qian (2014) that SOEs already enjoy political connections<sup>8</sup> with the authorities, while non-SOEs have to earn political legitimacy. This is why companies like Lenovo or Huawei, which also have considerable international exposure and more developed ways of managing stakeholders worldwide, are integrating stakeholder relations into their operations. They do not leave this responsibility exclusively to top management.

The second dissimilarity identified via more context-specific analysis of CSR reports is allusions to a form of industrial policy, namely the support of "strategic emerging industries" (SEIs) by state-owned banks. The next section will discuss this practice in detail. It must be noted that this dissimilarity mainly concerns state-owned banks. State-owned banks perform a specific function of supporting industries of strategic interest to the state.

The intricate system of incentives endorsed by the government ensures the consistency or homogenization of CSR reporting, and possibly socially responsive behavior. SOEs do not blindly follow the instructions of their main shareholder, i.e. the state. On the contrary, they act out of self-interest and respond to an intricate system of incentives, including the prospects of public contracts or loans from state-owned banks on favorable terms. Non-SOEs seem to respond to a similar set of incentives. Looking beyond adherence to international reporting standards like the Global Reporting Initiative (GRI) or the United Nations (UN) Global Compact, this system of codependence can explain the similarities in CSR reporting across a diverse range of companies. We identify considerable similarities between SOEs and non-SOEs in our sample, which includes major international players and globally recognized brands, such as Huawei and Lenovo, and national-level giants like China National Petroleum or Industrial and Commercial Bank of China. However, our analysis recognizes two discrepancies, which are of a less obvious nature. The first is the role of top management in communicating with stakeholders, and the second is specific to state-owned banks and concerns references to "strategic emerging industries" in their reports. These references serve as a manifestation of the special role attributed to these companies by the state in pursuing national economic competitiveness. In the mid-2000s, the central government in China started publicly announcing its intention to transition from labor-intensive to technology-intensive industries. The way to achieve this goal was seen as promoting SEIs, thereby

<sup>8</sup> However, they also have to nurture these political connections. For them, CSR reports are also mechanisms for maintaining political legitimacy.



**Table 5** Number of times “strategic emerging industries” (SEIs) are mentioned in CSR reports

Fortune Global 500 rank	CSR report year	Company name	Number of times SEI mentioned
22	2015	Industrial and Commercial Bank of China	4
38	2015	Agricultural Bank of China	1
172	2015	China CITIC Bank	6
2	2015	State Grid	2
103	2016	China Communications Construction	1

Source Own authorship based on the analysis of 28 CSR reports

implying that these highly innovative industries must be encouraged via tax incentives and different forms of subsidies at the regional and central levels (The US-China Business Council 2013).

### Special role of banks in strategic emerging industries

The recurring theme addressed in the CSR reports of state-owned banks in China is “strategic emerging industries” (SEIs).<sup>9</sup> This disclosure of SEI-related activities is motivated by the pressure to report to their main shareholder, namely, the state.

Table 5 reports on the SEI theme in CSR reports. The three Chinese state-owned banks, i.e. the Industrial and Commercial Bank of China (ICBC), Agricultural Bank of China, and Bank of China, are among the largest Chinese *Fortune* Global 500 list companies (Cendrowski 2015).<sup>10</sup> At the end of 2014, their combined market share in China in terms of bank assets was about 50% (Funke et al. 2016, p. 122).<sup>11</sup> They are majority-owned by the state, but their shares are also sold on the Hong Kong stock exchange (Turner et al. 2012). Government equity shareholdings belong to the sovereign wealth fund, the Ministry of Finance, and SOEs (Turner et al. 2012). As a result of several recapitalization reforms and initial public offerings (IPOs) (late 1990s–2010), Chinese state-owned banks have been performing well, which Funke et al. (2016) explain as being the result of their monopolistic position and labor cost arbitrage. The Chinese banking system is highly regulated through “a guaranteed high interest rate spread,” which secures high revenues to the “big four” banks (Funke et al. 2016, p. 132). At the same time, as Funke et al. (2016) remind us,

<sup>9</sup> In 2013, the list of seven industries included: “energy efficient and environmental technologies, next generation information technology (IT), biotechnology, high-end equipment manufacturing, new energy, new materials, new energy vehicles (NEVs)” (The US-China Business Council 2013, p. 2). According to the latest SEI Catalogue (2016), the list of SEIs includes nine industries: “next generation information technology (IT), high-end equipment manufacturing, new materials, biotechnology, new energy vehicles (NEVs), new energy, energy efficient and environmental technologies, digital innovation, related services” (Ban and Hou 2017).

<sup>10</sup> Together with the Bank of Communications and China Construction Bank, the largest state-owned banks in China are referred to as the “big five” (KPMG 2017; Turner et al. 2012).

<sup>11</sup> The banking system also features so-called “commercial banks”. Frequently, the government, especially at the local level, owns controlling stakes in these banks (Turner et al. 2012).





the labor market is deregulated, which provides Chinese state-owned banks with a comparative cost advantage. As major benefactors of the current system, it is natural to expect that they would serve as extensions of government agencies; the question remains, however, what motivates these companies<sup>12</sup> to discuss the support of SEI in CSR reports?

SEI industries are seen as instrumental in enhancing the national competitiveness of China. The general strategic policymaking employed to encourage technology and human resource development in select industries in search of greater competitiveness has been referred to as industrial policy and the introduction of protectionist measures, including subsidizing, to protect domestic industries, i.e. trade policy. Frequently, the two are interconnected, and a variety of measures is being employed in the name of higher productivity and—ultimately—higher levels of national competitiveness (Porter 1990). Despite the wealth of literature on how and why industrial and trade policies are practiced, including the “developmental state” thesis (Johnson 1982; Amsden 1989; Cumings 1999) and the “strategic trade theory” (Krugman 1989; Brander 1995; Chang and Katayama 1995), the actual implementation of these policies remains controversial and not necessarily encouraged by theorists (Bhagwati 2002). According to the so-called “infant industry argument,” a young industry that promises to enhance national competitiveness, such as biotechnology or robotics, may need temporary protection from foreign competition. In this case, the government may assume the role of protector and provide subsidies or impose other forms of trade barriers, including tariffs, to shelter this industry, at least for some time (Melitz 2005; Ho 2013). Chang (2003) reminds us that almost all currently industrialized countries engaged in infant industry promotion, especially in the early stages of their industrialization. Even today, however, the policies used to promote exports or technological development in certain economically important industries are considered the responsibility of government agencies, including in the US. Companies in these industries have access to government-guaranteed loans, or even grants, in order to finance their exports.<sup>13</sup>

The main problem with trade protectionism in the name of “infant industries” is that it can be politically motivated (Xu 2006). Plus, protectionism can lead to trade wars and goes against the principles of the World Trade Organization (WTO). For example, the stumbling block in the recent China-US trade negotiations is a continuing Chinese policy of state subsidies, government-sanctioned credit via state-owned banks, and public procurement (Froese et al. 2019). Therefore, the last place one might hope to find information about the implementation of industrial or trade policy would be in CSR reports. However, the CSR reports of the Industrial and Commercial Bank of China (ICBC), the largest state-owned bank in China,<sup>14</sup> contain

<sup>12</sup> State Grid, an electric utility company, makes references to SEIs in its reports. It is in a position to subsidize companies in the relevant industries.

<sup>13</sup> Cavusgil et al. (2017) provide examples of government-backed financing schemes that promote exports, for example the Export–Import Bank in the US, Export Development Corporation in Canada, and India’s Export Credit and Guarantee Corporation.

<sup>14</sup> According to the *Fortune* Global 500 list, the Industrial and Commercial Bank of China is the largest company in China based on revenues (Cendrowski 2015).



discussions on providing loans (we assume on favorable terms, since it is the only reason to mention these loans in the first place) to companies belonging to SEIs (ICBC 2015). Earlier in the paper, we discussed the link between CSR and SEIs. It should be noted that there is little prior research addressing this association, and so our finding of references to SEIs in CSR reports is the first empirical evidence of this connection. First, some of the SEIs are closely related to the goal of addressing urgent environmental problems in China. Second, CSR (as part of the “harmonious society” mandate) and SEIs are perceived as being complementary initiatives in achieving the social and economic goals of the Chinese state. The view of CSR in China is inherently strategic, linked to the objective of economic development, and has a national character. Third, SEIs are mentioned in the CSR reports because the latter serve as a means of communication with the state, i.e. showing compliance and loyalty to the strategic goals of central and local governments.

Gang (2015) discusses the mechanisms involved in supporting the Chinese solar equipment manufacturing industry, which falls under the SEI category. Over a few years (2009–2013), China surpassed the US and Japan and became the largest manufacturer of solar photovoltaic panels, with a global market share of 67% in 2013 (Gang 2015, p. 90): “The multi-layer government apparatus subsidized domestic solar panel production” by “providing cheap land-use rights, cheap credit, tax rebates, research funds, and sometimes straight-up cash” (Gang 2015, p. 96). State-owned banks played a key role in promoting SEI, especially at the local level. Under pressure from local officials, they provided low-interest loans to solar panel manufacturers (Gang 2015); indeed, we find evidence of these practices in the CSR reports of the Industrial and Commercial Bank of China and a number of its counterparts. Their local subsidiaries have been responsive to the financial needs of SEI enterprises, which has become part of their CSR reporting.

The theme of SEIs in the CSR reports of state-owned banks underscores their importance in realizing the government’s “harmonious society” and “scientific development” agenda. While we failed to find significant differences in CSR reporting between SOEs and non-SOEs, the state-owned banks certainly stand out in this regard. They have a separate responsibility to promote SEIs, whose initiative conceptually connects CSR (endorsed by “harmonious society”) and economic development (through scientific progress) and turns state-owned banks into mediators between enterprises (SOEs and non-SOEs alike) and the government.

## Discussion and conclusions

The contribution of this paper lies in its pursuit of a comparative study of CSR reporting by SOEs and non-SOEs via a mixed method approach, i.e. quantitative and qualitative analysis. As a result of quantitative content analysis, which was to a large extent an inductive endeavor, we found very few differences in how SOEs and non-SOEs prioritize the CSR theme. We also refute the assumptions about quantitative differences in stakeholder treatment in both types of companies.

Qualitative content analysis also revealed considerable similarities in form and content between SOEs and non-SOEs. However, two differences were identified.



One discrepancy is in the mechanisms of stakeholder management, in that SOEs seem to prefer to handle stakeholders (the government being a major example) via senior leadership, while in non-SOEs stakeholder management is carried out more by the organization as a whole. We assume that government officials still prefer to be treated by top management rather than a diverse offering of actors from various departments or other organizational units. Furthermore, an in-depth reading of CSR reports identified that state-owned banks fulfill an additional responsibility to back financially businesses bearing strategic importance to the government, including “strategic emerging industries” (SEI), which mainly involve green or environmentally conscious technology and high tech. This mission of the state-owned banks makes them stand out not only from non-SOEs, but also from other SOEs. Behind SEIs is the government agenda of promoting more competitive and environmentally advanced industries via state banks’ financing schemes. It should be noted that there is little prior research addressing the association between CSR and SEIs, and so our finding references to them in CSR reports is the first empirical evidence of this connection. SEIs are mentioned in the reports of state-owned banks, which underscores their strategic role in mediating CSR compliance and economic development on a national scale. State-owned banks are also part of the coercive isomorphism apparatus pushing for conformity in CSR practices and reporting across the board. To sum up, from a qualitative perspective, there is little difference between the reports of SOEs and non-SOEs apart from the two deviations discussed above.

Our results have theoretical implications. The theory of CSR practices by SOEs is still in the process of developing, since most research in the area has been characterized as more practically oriented rather than theory-building (Garde-Sanchez et al. 2018). Thus, with this paper, we open up the discussion about possible explanations for the commonalities in CSR priorities by SOEs and non-SOEs in the Chinese context. SOEs are believed to play a dual role of acting as regular, revenue-driven economic players on the one hand, while on the other hand they are expected to provide social services to their immediate stakeholders and the community at large on behalf of local and central governments. Thus, from a theory point of view, SOEs have a special mission to bridge the gap between two opposing CSR perceptions: The dilemma of CSR being viewed as a strategic instrument of value maximization or as an instrument of fulfilling social obligations of business. Our results, in indicating little variation in quantifiable content in the CSR reports of both SOEs and non-SOEs, undermine the assumption about the special social role played by SOEs in China. Of course, the limitation of our study is that this “special social role” might not be captured by similarities or differences in the choice of priorities in CSR reports. Still, if SOEs are granted a mission to address concrete social needs prioritized by government officials, and non-SOEs are free to choose their own battles, we should have been able to detect these differences in their reports. We explain the puzzle of content convergence through a more complex system of incentives that goes beyond formal property ownership that makes both SOEs and non-SOEs responsive to government expectations. State-owned banks are an exception (based on our qualitative analysis), as they indeed play a *special* role of mediating between firms (SOEs and non-SOEs) and the state. We find evidence of their government mandate in the form of references to SEIs in their reports. The Chinese government



has created an intricate system of incentives encouraging both SOEs and non-SOEs to engage in socially responsive behavior and reporting in exchange for government contracts, cheaper credit, or other benefits. This quid pro quo system might explain the similarities in CSR reporting; indeed, the homogeneity of this reporting serves as an illustration of coercive isomorphism on a national scale.

The limitation of this study is its small and unbalanced sample, in that there are considerably more SOEs than non-SOEs. The majority of large Chinese companies on the *Fortune* Global 500 list are, indeed, SOEs, and they are not only large companies in terms of revenue, but they also have an international presence. Future research, however, could concentrate on increasing and diversifying the sample. We addressed the questions pertaining to the convergence/divergence of CSR reporting in two types of companies, motivated by the lack of understanding in the literature of the effect of ownership on Chinese CSR. We also explain the identified homogenization pattern through coercive isomorphism, which in reflecting the strategic efforts of the government, has been recognized by many scholars of China as the main source of organizational convergence across various business operations. Even though the intricate characteristics and mechanisms of the convergence process remain mainly unexplored in this article, we offer one important insight in this regard, i.e. the role of state-owned banks in promoting SEIs—as reflected in the CSR reports. This is a direct piece of evidence on the link between state strategic goals and CSR in China, and it illustrates how a system of financial incentives can promote CSR reporting in general and the standardization of this reporting in both SOEs and non-SOEs in particular. By acknowledging the similarities in CSR reporting in SOEs and their private counterparts from the *Fortune* Global List, we have initiated a conversation about the underlying reasons for this convergence.

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## Compliance with ethical standards

**Conflict of interest** On behalf of all authors, the corresponding author states that there is no conflict of interest.

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