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EXPLAINING SOCIAL REPORTING OF STATE-OWNED ENTERPRISES IN CHINA - A MARKET ECONOMY WITH SOCIALIST CHARACTERISTICS

Jenny J.Q. Guan

Faculty of Business Administration, University of Macau, China
yb07003@umac.mo

Carlos Noronha

Faculty of Business Administration, University of Macau, China
fbacn@umac.mo

Michael E. Tayles

Hull University Business School, University of Hull, UK
M.E.Tayles@hull.ac.uk

ABSTRACT

Purpose – In recent years, state-owned enterprises in China have been playing a leading role in social reporting. This study aims to investigate the reasons behind this phenomenon and explore the evolution of social reporting in China.

Methodology – This study uses content analysis to evaluate 210 annual reports and 117 social reports of the largest Chinese state-owned enterprises from 14 industry sectors for the period 2006-2010. The results are further triangulated by other tests to ensure reliability and validity.

Findings – The paper identifies the patterns and drivers for Chinese enterprises to disclose social information. The results demonstrate that the Chinese Government acts as an engine leading and driving state-owned enterprises to engage in social reporting. In response to the policy documents issued by the Chinese Communist Party, the quantity of social disclosure displayed a sharp increase since 2008 but without much noticeable improvement in quality. All these findings demonstrate that the political economy theory occupies a powerful position in explaining the social reporting practices in China.

Originality/value – This is the first paper in the Western academia to report, from an indigenous perspective, content analysis results of social reporting by Chinese state-owned enterprises so as to present the evolution of social reporting in this country. This is the first research to add such insight to the political economy theory for explaining social reporting practices of the largest socialist economy in the world. Furthermore, this study aims to impart awareness to Chinese enterprises in improving their social reporting quality and provide guidance for their stakeholders to evaluate the social reports objectively.

Keywords: CSR reporting, political economy theory, Chinese Government, Chinese Communist Party, state-owned enterprises