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State or Market: Institutional Complexity and Voluntary CSR Reporting of Chinese Firms

ABSTRACT

While the growing literature on voluntary disclosure has noticed the influence from broader institutional pressures on such corporate behaviour, co-existence of conflicting institutional pressures and non-mature market contexts have received much less attention. We develop a framework where voluntary disclosure is viewed as organizational response to institutional complexity, and test it through the adoption and quality of CSR (corporate social responsibility) reporting by non-targeted publicly listed Chinese firms after the central government issued the guidelines targeting certain firms to report their CSR activities. The longitudinal analysis of all non-targeted firms between 2008 and 2010 largely supports our framework. As a baseline, institutional linkage to state and visibility on enhanced a firm's compliance with the normative pressure from the central government's guidelines. However, there was regional variation: while the development of local market institutions facilitated voluntary CSR reporting, local governments' priority on GDP growth inhibited it. Moreover, in regions with conflicting pressures from local government's growth priority and market institutions, state linkage and visibility channelled firms' attention toward local government's growth imperatives, reducing their otherwise high engagement in CSR reporting. Our study contributes to research on voluntary disclosure and extends understanding about how organizations respond to multiple and conflicting institutional pressures.

Why do firms voluntarily disclose information about themselves? This question has attracted growing attention from multiple fields including economics, accounting, public policy, and management. The answers have traditionally emphasized the deterrence of potential regulation and the economic incentive to reduce information asymmetry (Core 2001, King et al. 2002). More recently, management scholars have increasingly emphasized the influence of broader institutional pressures such as social norms and stakeholder pressures on voluntary disclosure (Pfarrer et al. 2008, King and Toffel 2007). For instance, Reid and Toffel (2009) find that firms disclose their climate change strategies due to pressures from social movement activists and shareholders, in addition to the threat from potential government regulation.

While this body of literature provides great insight into our understanding about corporate voluntary disclosure, two important gaps remain. First, most of the studies have not considered the co-existence of conflicting institutional pressures that hinder and encourage voluntary disclosure. The lack of voluntary disclosure may reflect the existence of institutional source of resistance, but how firms respond to conflicting institutional pressures in their decision to disclose is not well understood. For example, the state, with its potential monitoring, enforcement and penalties, has been viewed as an important source of deterrence which can incentivize voluntary disclosure (Short and Toffel 2008). But the state is not a monolithic entity. How the conflicting goals and pressures from state, such as those from central and local governments, affect firms' voluntary disclosure has not received sufficient attention. Second, most of this research is conducted in mature markets, with well-developed regulatory and market mechanisms that can provide deterrence and shape economic incentives. What explains voluntary disclosure in a different set of institutional environments, such as those in emerging and transitional markets, needs further research (King et al. 2011).

This study attempts to fill these gaps through examining the issuance and quality of CSR (corporate social responsibility) reports by non-targeted firms after the central government targeted certain firms to issue CSR reports in a transitional market, where regulatory and normative pressures on firms to participate in CSR are relatively weak compared with those in mature markets. We develop a framework in which voluntary disclosure of CSR activities is viewed as organizational response to institutional complexity, and such important organizational attributes as institutional linkage to state and visibility serve to magnify institutional influence and channel managerial attention in the midst of conflicting institutional pressures (Greenwood et al. 2011).

Specifically, as a baseline, since central government is an important source of normative legitimacy (Dobbin et al. 1993, Edelman 1992), non-targeted firms with state linkage and high visibility come under higher pressure to engage in CSR reporting, even in the absence of any immediate punitive consequences from noncompliance. However, local regions where firms are located vary in their institutional pressures (Greenwood et al. 2010, Lounsbury 2007, Marquis and Lounsbury 2007). The exclusive priority given by some local governments to GDP growth can inhibit voluntary disclosure of CSR, while the development of local market institutions can facilitate it. In regions characterized with the coexistence of relatively strong market-based institutions and a high local government priority on GDP growth, firms are confronted with conflicting pressures regarding CSR reporting. We argue that in these regions, state linkage and high visibility (which on average enhance firm compliance with the central government's expectation for CSR reporting) paradoxically reduce the voluntary disclosure premium by tilting firms' attention toward local growth imperatives.

We test our framework by observing the CSR reporting of non-targeted publicly listed Chinese firms immediately after the central government issued the guidelines at the end of 2007 until 2010. On December 29th, 2007, the Assets Supervision and Administration Commission of the State Council (SASAC) announced a "guideline on fulfilling social responsibility by central enterprises" to encourage firms controlled directly by the SASAC to periodically report on social responsibility or sustainable development "covering the current situation, planning and relevant measures for fulfilling social responsibility".[1] At the same time, China's two stock exchanges (Shanghai and Shenzhen Stock Exchange), both under the control of the China Securities Regulatory Commission (an agency of the State Council), targeted specific firms to disclose their CSR practices along with their annual reports as of 2008.[2] In total, the firms required to issue CSR reports represented less than one fifth of all publicly listed firms, but many non-targeted firms started to issue CSR reports as of 2008. As shown

[1] The English version of the guideline can be found here http://www.sasac.gov.cn/n2963340/n2964712/4891623.html

[2] The Shanghai Stock Exchange requires that firms listed in the "corporate governance group", firms listed on foreign stock market exchanges and financial firms issue CSR reports. The Shenzhen Stock Exchange requires firms included in the 100 index to issue CSR reports.

in Figure 1, among non-targeted firms, before the regulation very few issued CSR reports, but a noticeable jump occurred between 2007 and 2008. This suggests the important role of the central government guidelines in the growth of voluntary CSR reporting.

***** INSERT Figure 1 about Here *****

China's transitional market offers an ideal setting to test our framework for two reasons. First, as is typical of transitional and emerging markets, CSR was largely off the corporate and public radar screen until recently in China (Wang 2006). In Western markets, corporate social responsibility (CSR) has been largely driven by market competition, social norms, and government regulation (Campbell 2007, Galaskiewicz 1997, Margolis and Walsh 2003). CSR reporting by publicly listed firms is increasingly being adopted in response to market and normative pressures (Elkington 1998). But in China, the absence of CSR and CSR reporting is due in part to the traditional paternalistic role of government in caring for society, the primary focus on economic growth since the market transition, the highly constrained NGO activities, and the relatively weak market-based institutions (Moon and Shen 2010). Such a context thus provides an opportunity to observe how the state guidelines triggered the growth of voluntary CSR reporting. Second, there is vast regional variation in the development of market-based institutions and local governments' priority on GDP growth (Fan et al. 2011). This allows us to observe the impact of institutional differences on voluntary disclosure.

Our study contributes to research on voluntary disclosure by developing a framework of voluntary disclosure as organizational response to institutional complexity. We go beyond prior studies in this field that have focused on the potential coercive forces from state to understand the normative influence from state regulation, and we reveal how the conflicting pressures from central and local governments as well as market can shape firms' decision to disclose. Our framework provides particularly useful explanation in transitional and emerging markets, where deterrence regarding CSR reporting is relatively weak and market mechanisms are not uniformly well developed (Khanna and Palepu 2000). In addition, we extend the growing body of literature on how organizations respond to institutional complexity (Greenwood et al. 2011) by considering how organizational attributes can expose firms to heightened institutional tension and lead to strategic response.

A Framework of Voluntary Disclosure as Organizational Response to Institutional Complexity

Given that information is costly (i.e., production, gathering, analysing, and reporting of information), the literature on why firms voluntarily disclose information has traditionally focused on the benefits of doing so and the potential penalties of not doing so. On the benefits side, the accounting literature argues that voluntary disclosure reduces information asymmetry between the firm and its stakeholders, thus overcoming potential agency problems, lowering the cost of capital, and enhancing the firm's differentiation and competitive performance (Verrechia 2001). The economics literature suggests that in the case of market failure, the whole industry may recognize the need to self-regulate, including voluntary disclosure, in order to address information and externality problems and improve the overall welfare (Barnett and King 2008). On the side of potential penalties, research on deterrence views voluntary disclosure as motivated by the goal to prevent government's formal intervention. As government regulations tend to be costly, inefficient, and overly stringent, firms opt to disclose just enough information to forestall government involvement (Lenox 2006). The deterrence of government regulation can be both specific and general (Cohen 2000): firms that have experienced costly consequences of government regulations in the past are more likely to engage in voluntary disclosure, and firms that have observed high penalties from enforcement of government regulations on other firms in the same institutional field are more likely to self-regulate (Reid and Toffel 2009).

Recently, the lack of clear evidence of superior performance (financial and social) from firms engaging in voluntary disclosure or self regulation in general has led scholars to pay more attention to the impact of broader institutional forces, including but not limited to the regulative pressures from state. In order to survive and grow, firms need to establish their legitimacy and manage relationships with various stakeholders. Studies have found that firms voluntarily display their social concerns, ranging from environmental protection to product quality, when there are high pressures from social movement activists, consumer or shareholder activism, industry associations, and related government regulations (Boiral 2007, Campbell 1997, Delmas 2002, Delmas and Toffel 2004).

While highly insightful, the focus on broader institutional forces has given rise to two additional questions. First, organizations are confronted with multiple institutional pressures, not all of which may encourage voluntary disclosure. Indeed, if voluntary disclosure is supposed to improve an old system where such disclosure is absent, some institutional forces from the old system may still operate to thwart the adoption of voluntary disclosure. If organizations are simultaneously confronted with opposing and facilitating institutional forces regarding voluntary disclosure, will they disclose and how will the quality of their disclosure be affected? Second, given the importance of the institutional pressures identified in this literature, what explains variation in voluntary disclosure in contexts where the set of institutional parameters are different? Specifically, for voluntary disclosure of CSR activities, regulatory institutions in many emerging markets are less likely to exert the same level of deterrence on corporations (Khanna and Palepu 2000). While some firms are exposed to standards from mature markets through foreign investment and global market activities (Christmann and Taylor 2001), most domestic firms are subject to much weaker normative pressures for CSR.

We develop a framework of voluntary disclosure as organizational response to institutional complexity, and identify how the important institutional forces in transitional markets can influence corporate disclosure of CSR activities. We draw upon the research on organizational responses to multiple institutional pressures to develop our framework (Greenwood et al. 2011). Institutional researchers increasingly recognize the multiplicity of institutions (Greenwood et al 2010, Kraatz and Block 2008, Seo and Creed 2002), among which the state and the market are viewed as two higher-order institutional sectors, each with its distinct logic (Friedland and Alford 1991).The original insight from the neo-institutional perspective is that organizations conform to institutional pressures in order to achieve legitimacy and subsequent resource and survival advantages (DiMaggio and Powell 1983, Meyer and Rowan 1977; Oliver 1991). However, in their decision making, firms are often confronted with multiple and conflicting institutional pressures (which offer clashing guidelines) (Delmas and Toffel 2008, Pache and Santos 2010). Greenwood and colleagues (2011) propose that certain organizational attributes may filter these multiple institutional pressures to the extent that only some exert an influence on firms.

Transitional markets such as China feature strong though uneasy co-existence between the state and market influences throughout the reform era (Peng 2003). While some researchers emphasize the growing importance of the market institutions (Nee 1989), others stress the persistently strong role of the state in market transitions (Oi 1995, Walder 1995, 2003; also see a review by

Keister and Zhang 2009). Stark (1996) argues that in transitional markets the involvement of the state gives rise to a different form of capitalism and market economy from that in Western democracies. Lin (2011) considers China's market economy to be centrally managed by the central government, which controls resource allocation, market channels, and personnel selection and evaluation, especially in state-controlled firms. Walder (1995) likens local governments to entrepreneurs who make policies to promote local economic growth.

We view voluntary CSR reporting as responses to the intertwined institutional forces from the central government, local governments, and market-based institutions in transitional markets. Despite the lack of deterrence measures for non-reporting, the central government guidelines exert normative pressure on non-targeted firms, and firms with state linkage and high visibility – attributes identified in prior research as magnifiers of institutional pressure – may be more responsive. We then identify how the variant institutional forces from the local government and market, where firms are embedded, shape firm response to the central government guidelines. We focus on regions where the configuration of local government and market institutions leads to conflicting pressures regarding CSR reporting, and posit that the magnifiers of central government influence - state linkage and high visibility - also serve to channel firm attention to the local government growth priority and thus compromise CSR reporting (Ocasio 1997).

Voluntary CSR reporting triggered by central government regulation

Prior research on the influence of government regulations has emphasized the role of coercive force in obtaining organizational compliance (DiMaggio and Powell 1983). Organizations become isomorphic with the regulatory environment to avoid punitive outcomes. While government regulations in transitional markets often affect firms in this way, they increasingly take the form of guidelines and expectations, as government does not want to be seen as overly interfering in firm operations. Given the importance of central government as a source of legitimacy in China's transitional economy, we posit that central government guidelines and expectations exert a normative pressure on firms, that is, the adoption and implementation of a practice endorsed by the central government signifies alignment with and approval by the latter. Considering that that organizations may be more likely to conform to coercive than normative pressure (Oliver 1991), we do not expect all firms to meet central government expectations. Rather, as prior institutional research suggested, institutional linkage and high visibility magnify the influence of institutional pressures (Drori et al 2006, Edelman 1992, Lounsbury 2001). We consider below how firms with such attributes may be more responsive to the central government's guidelines for CSR reporting.

In China, central government regulation of CSR reporting for publicly listed firms took the form of guidelines and expectations. It was issued at the end of 2007, at a time of rising social tensions from the country's almost exclusive pursuit of economic growth since the start of the market transition in 1978. Some of the social tensions were reactions to heightened inequalities, the exploitation of the environment, and poor product quality. To address these issues, the central government has begun to emphasize balanced development between the economy, society and the environment (Lin 2010). At the 17th Party Congress held in October 2007, it vowed to promote scientific, harmonious and sustainable development.[3] The subsequent guidelines for CSR reporting thus reflect consistently the expectation of the central government to encourage CSR among corporations. While the guidelines targeted certain firms to comply, they did not specify standards of compliance or penalties for non-compliance, nor was there mention that the targeted set would broaden over time.

In the absence of overtly punitive consequences, we posit that non-targeted firms with institutional linkage to state are more responsive to central government's expectation on CSR reporting. In China, the central government has maintained control over the economy during the market transition through state ownership and by co-opting corporate leaders into the political system (Dickson 2003, Lin 2010). These institutional linkages with state increase firms' exposure to the influence of normative pressure from central government for at least two reasons. First, they serve as a channel of influence. In firms where the state is the largest shareholder, the chairman and CEO are typically appointed by the state from within the political hierarchy (Cao et al 2011). In firms where top decision-makers are elected as delegates to the People's Congress (PC) or the Chinese People's Political Consultative Conference (CPPCC), these leaders regularly participate in central government

[3] The English version of President Hu's speech can be found here http://english.cpc.people.com.cn/66102/6290205.html

policy discussions (Li et al2006, Ma and Parish 2006).[4] As stipulated by the Chinese constitution, the national PC is the highest organ of state power in China (equivalent to Congress in the US), and the national CPPCC is an advisory body to the Communist Party. Thus, through formal or informal meetings and discussions, corporate leaders in state-linked firms learn and get reinforced about central government priorities in the years ahead.

Second, by conveying both legitimacy and resources, such linkages heighten central government's expectations of the firms, and make the firms more likely to comply due to the benefits bestowed. In China's transitional economy, state-controlled firms still rely on bureaucratic mandates to gain access to various resources such as government-guaranteed low-cost loans, subsidies, suppliers and customers, whereas non state-controlled firms are affected more by market forces (Ferri and Liu 2010, Lardy 2008). Where top executives occupy important government positions, firms' access to resources is enhanced, and legitimacy is conferred on the firm as well as the executives (Ma and Parish 2006, O'brien 1994, Tian et al 2008). As institutional linkages bestow benefits and enhance organizations' survival prospects (Baum and Oliver 1991), we suggest that the benefits also give rise to heightened expectations that these firms will share the government's concerns. The dependence of these firms on the central government for continued privileges and relationships can make them more likely to comply with such heightened expectations (Oliver 1991). We hence propose,

H1a: Organizations with institutional linkage to state will issue CSR reports sooner, and will issue higher-quality CSR reports.

In addition to state linkage, high visibility may lead firms to perceive that they attract more government attention and scrutiny, despite the lack of imminent pressure on average non-targeted firms to conform. Institutional pressures are rarely applied uniformly and larger organizations typically bear the brunt (Edelman 1992). Because they are more visible and better endowed, they are easier to monitor and more likely to dispose of the resources needed for compliance. Since the central government has clearly endorsed the practice of CSR and CSR reporting through its guidelines, large firms, though not specifically targeted for compliance, may perceive their activities to be measured by

[4] Delegates to the two government bodies are elected indirectly at the national level by lower-level members. These are part-time positions. Although "election" is involved in the process, political scientists have provided evidence that the candidacy is normally bestowed by the government (O'Brien 1994).

the same yardstick. Similarly, firms with a high reputation can invite easy comparison with the new legitimacy criterion established by CSR reporting. Their visibility makes it easy to check whether they are consistently exemplary in carrying out central government's initiatives, and the potential loss of reputation from failing to be receptive will motivate them to respond. We thus propose,

H1b: Organizations with higher visibility will issue CSR reports sooner, and will issue higher-quality CSR reports.

Regional institutional variations and voluntary CSR reporting

Recent studies of the impact of institutional pressures on organizational practices have increasingly recognized the regional variation of institutional pressures (Marquis et al2007). Uneven development of market institutions and divergence of local government priorities characterize China's transitional economy and underlie regional variations in the institutional environment. We argue that these regional-level institutional forces will affect how firms respond to central government guidelines on CSR reporting, giving rise to variation in voluntary CSR reporting. We first consider variations in the development of market institutions across provinces, which can be explained by different regional resource endowment before the reform, the gradualism in China's reform, and differential policies applied by central government to regions (Naughton 2007, Zhang 2008). The country's transition to a market economy started with special economic zones and cities in coastal areas and then spread to interior regions, creating a wide variation in the development of market-based institutions (Fan et al 2011).

In regions where market institutions are better established, the costs of not engaging in CSR reporting are more apparent to firms. This is because there is more information available about firms (Cuervo-Cazurra and Dau 2009), more stringent external monitoring over irresponsible corporate social behaviour, and the expectations from corporate stakeholders (such as customers and business partners) for CSR reporting are higher. The development of market institutions gives rise to more transparent financial, labor and product markets (Khanna and Palepu 2000). The growing number and quality of market intermediaries such as professional service firms (auditors, analysts, head-hunters) and consumer organizations mean that information about peer firms is more transparent, firm behaviour is exposed to public scrutiny, and lack of CSR can be linked to economic consequences.

This is particularly true for a number of CSR behaviours that are of central concern to stakeholders (consumers, employees, business partners and investors) such as ensuring product safety, fair treatment of shareholders, transparency of corporate governance, and the provision of employee welfare. When sanctions against irresponsible corporate social behaviours are more enforceable by market institutions, firms are more likely to demonstrate at least a threshold level of CSR (Campbell 2007), since not doing so may significantly raise the cost of doing business.

Oliver argues (1991: 161), "when an organization anticipates that conformity will enhance social or economic fitness, acquiescence will be the most probable response to institutional pressures." The stronger the local market-based institutions, the more likely that firms located in the region will be monitored by them, and the greater the pressure to supply information about their engagement in CSR to satisfy stakeholders. As firms in regions with more developed market institutions perceive more to gain economically from responding to central government's guidelines on CSR reporting, they may be more responsive than firms in regions with less developed market institutions. Hence,

H2a: Organizations in regions with stronger market-based institutions will issue CSR reports sooner, and will issue higher-quality CSR reports.

The other important dimension of regional institutional pressures is the local government's orientation towards GDP growth. In parallel to the influence of central government, China's provincial governments strategically cope with the central government's demands and seek firms' alignment with local priorities (Oi 1995, Walder 1995). Since the early days of market transition, the central government has pursued fiscal and administrative decentralization and initiated fiscal-sharing contracts with provincial governments (Montinola et al1995). This has allowed local governments to benefit from local economic growth, thereby creating incentives for local economic development (Qian and Weingast 1997). However, this devolution of power has intensified conflict between the central and local governments. Local provinces set their own agendas, and these may be at odds with that of the central government which tends to take a longer term perspective as well as a more collective perspective for the benefit of the country as a whole (Marquis et al2011). One example of such conflict was the high inflation rate seen in the early 1990s, which was caused by excessive investments by some local governments to drive local GDP growth and derive tax revenues at the expense of the macro economy (Huang 1999).

Although the central government has started to encourage a more balanced approach to development in recent years (Lin 2010), local governments vary in their priority on GDP growth due to local interests and bureaucratic inertia. Such differences are reflected in the five-year plans made by provincial governments after the central government has announced its five-year plan. For example, officials of the Tianjing municipality demonstrated an exclusive focus on economic growth in its 11th five-year plan announced in 2006: "We will strive to achieve an annual GDP growth rate of 12%, and our main task is to accelerate and push the development and growth of the coastal new area". In contrast, the government of the Beijing municipality exhibited a more balanced approach: "We will achieve an annual GDP growth rate of 9%, and we will adjust the ratio of industries to achieve a transformation of growth path, so that we will focus our efforts on high value-added industries." Similarly, the government of Guangdong Province set a target of annual GDP growth rate at 9%, citing their main task as "adjusting and optimizing the ratio of various industries." The head of the province even started a "Happy Guangdong" campaign to emphasize the importance of social development. In addition, local governments that give priority to GDP growth tend to use the growth rate as the most important criterion for evaluating and promoting officials, while in provinces with a more balanced approach to economic development their evaluation often incorporates notions of sustainable development.[5]

We posit that an exclusive focus on GDP growth by local government will hinder firms' responsiveness to the central government's guidelines on CSR reporting. Local governments play a crucial role in firms' economic activities, by allocating resources, imposing and interpreting rules, inspecting compliance, and bestowing legitimacy. Local governments with an exclusive focus on GDP growth typically make large-scale investment in local economies, and the growth imperative is instilled in local firms as an important goal. Moreover, aligning with such a goal is instrumental to obtaining resources and endorsement from the local government. Meanwhile, local governments that

[5] "Some provinces say goodbye to the evaluation system based on GDP only" by Xinhua News Agency http://news.xinhuanet.com/politics/2011-03/18/c_121204805.htm

prioritize high GDP growth above all else may perceive central government's guidelines on CSR reporting as tangential, or even at odds with their own priorities. Consequently, firms located in these regions may see CSR reporting as counterproductive to local government's expectations, and thus engage less in CSR reporting. We propose,

H2b: Organizations in regions where local governments place higher priority on GDP growth will issue CSR reports more slowly, and will issue poorer quality CSR reports.

Regions with conflicting institutional pressures and voluntary CSR reporting

We have argued above that regions vary in the strength of their market institutions and local government's priority on GDP growth, and that these two types of institutional pressures exert conflicting influence on firms' engagement in CSR reporting. In this section we emphasize the coexistence of different institutional pressures since each region has a different configuration of institutional pressures. Based on the argument above, in regions where market institutions are relatively advanced and local governments are less focused on GDP growth, firms will be motivated to engage in CSR reporting without hindrance from local governments. Conversely, in regions characterised by relatively advanced market institutions and a strong local orientation towards GDP growth, firms will be confronted with conflicting institutional pressures regarding CSR reporting.

In the midst of conflicting pressures, organizational attributes such as state linkage and visibility may filter the influence of such pressures to the extent that one type of pressure prevails over the other (Greenwood et al. 2011). The attention of state-linked and highly visible firms is likely to be channelled towards the local government's growth priorities because the local government tends to directly interfere with these firms in order to realize its goal of high GDP growth. These firms pay more attention to the local government's expectations than to the monitoring pressure from market institutions, because the "visible hand" of government is more powerful in getting executives' attention than the "invisible hand" of the market.

Once the local government has set its GDP growth target, it relies on firms located in its jurisdiction to work towards it. To ensure the accomplishment of the target, it usually pushes the target downward to the lower levels, setting specific targets and detailed quotas for certain firms (Zhang 2008). It can more legitimately demand firms with state linkage to fulfil the growth targets, and its power over these firms also ensures that those firms exert themselves to achieve them. For firms whose controlling shareholder is state, state ownership legitimizes the demand from the local government. Such firms depend more on local government for resources than those whose controlling shareholders are private individuals. For firms whose top leaders hold important national-level political positions, they are typically recommended and appointed by local government after the national government has issued quotas to each province, hence the local government has played a significant role in their appointment and will continue to be important in their re-election and re-appointment. In contrast, non-state-controlled firms and firms without such politically-linked leaders may not feel under obligation to prioritize the local government's growth target. Indeed their lack of linkage to state means that they are more dependent on the market for their survival and success, and therefore more likely to respond to institutional pressure from the market.

As we have argued above that state linkage can magnify the influence of central government guidelines, the role of state linkage in channelling firm attention towards local government growth imperative in regions with conflicting pressures can thus reduce the otherwise high engagement in CSR reporting by state-linked firms. In contrast, in regions with relatively developed market institutions and low government priority on GDP growth, the configuration of institutional pressures is consistent with the central government guidelines on CSR reporting. In these regions state linkage simply magnifies the normative pressure from central government. We hence propose the different effects of state linkage in these two types of regions,

H3a: In regions with both stronger market-based institutions and higher government priority on GDP growth, the positive effect of state linkage on CSR reporting (speed and quality) is reduced, as compared with in regions with stronger market-based institutions and lower government priority on GDP growth.

Similarly, local governments oriented towards GDP growth are also more likely to pressure highly visible firms to fulfil their economic growth goals. Large firms generate more sales and tax revenues, hence local government has a stronger incentive to influence these players in order to achieve its growth target. In addition, monitoring costs are significantly lower for large firms given the same outputs and revenues. Historically, entrepreneurial firms in China stayed small in order to avoid attracting attention and 'hassle' from local government (Redding 1978). Similarly, firms with a high reputation are more vulnerable to local government demands. The local government can impact other firms more effectively if it manages to align highly-reputed firms with its growth priority, and hence will set high growth targets for these firms and scrutinize them closely. Meanwhile, although firms with high visibility also face strong market scrutiny, the pressure from the market tends to be more dispersed and less imminent than that of local government. In contrast, firms with less visibility – smaller firms and firms without a reputation to protect – may escape local government scrutiny. . As we have argued that highly visible firms are more responsive to central government guidelines on CSR reporting, where there are conflicting institutional pressures from the market and local government growth imperatives, high visibility will tilt firm attention toward local government growth imperatives and reduce the compliance premium. In contrast, high visibility will not compromise firm compliance with central government guidelines in regions with relatively advanced market institutions and less priority on GDP growth, where the configuration of institutional pressures is consistent with the central government expectations. We thus propose the different effects of visibility in these two types of regions,

H3b: In regions with both stronger market-based institutions and higher government priority on GDP growth, the positive effect of visibility on CSR reporting (speed and quality) is reduced, as compared with in regions with stronger market-based institutions and lower government priority on GDP growth.

METHODS

Data and Sample

Given that our goal is to examine voluntary CSR reporting after the central government issued guidelines targeting certain firms for CSR reporting, our sample consists of all the public firms from 2008 to 2010 that are listed on Shenzhen or Shanghai Stock Exchanges and that were not targeted for issuing CSR reports by either the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) or the two stock exchanges. We employ multiple data sources to construct the data set for this study. Most of our firm-level information comes from the China Stock Market and Accounting Research Database (CSMAR). The CSMAR database is a major data source for studying Chinese listed firms, which has been widely used in finance and economics (e.g. Fan et al2007, Kato and Long 2006, Lin and Su 2008, Wong et al2006). For regional (provincial) level data, we used annual statistics yearbooks published by the Chinese Statistics Bureau. We also used the marketization index of provinces developed by the National Economic Research Institute (NERI) to measure regional market development since 1997 and until 2010 (Fan et al2011). The index has been used to examine regional differences in China in prior research (e.g., Li et al2006, Wang and Qian 2011).

In addition, we collected these firms' CSR reports, which were either appendices of the annual reports or independent reports. We manually coded information reflecting the quality of the report and also obtained external rating agency's evaluations for the CSR reports.

Measurement

Dependent variables. We examined how quickly the firms issued a CSR report after the central government put forth the guideline on CSR reporting, using event history analysis. The dependent variable is the hazard rate of issuance of a CSR report: at any given year, each firm in the risk set faces some underlying "risk" that it will issue a report. In our sample, 316 firms issued at least one report. Among them, 241 firms issued reports more than once. The other 1,064 firms did not issue any reports by the end of 2010, and were thus considered to be right-censored. We modelled issuance of CSR reports as repeated events. We measured the number of years from 2007, until the firm issued a report (if ever). Firms remained in the data set after issuing a report, since they were still "at risk" of issuing another.

In addition, for firms that issued a CSR report, we gauged the quality of their reports with two different measures. The first is the number of pages per item. For this measure, we manually counted the number of CSR items (such as corporate governance, employee welfare, product quality, contribution to the community, etc.) covered in the CSR report, and then divided the total number of pages of the report by the number of items. This measure reflects how substantive the report is in describing corporate engagement in CSR. The second measure was developed by a third-party agency called RKS (Rankins CSR Ratings). RKS created a rating system of CSR reports based on the Global Reporting Initiative (3.0) adapted to the Chinese context. All CSR reports were rated based on three dimensions: overall evaluation, content and techniques. In total, 70 aspects of the CSR report were evaluated, and the final score was a weighted average ranging from 0 to 100. The correlation between this composite score and our measurement (pages per item) is 0.87, which suggests high reliability of the two measures of CSR report quality.

Independent variables. Institutional linkage to the state is measured by two variables. *National political appointment* is coded as 1 if the firm's top executive (Chair or CEO) served as a delegate to the National People's Congress or the National Chinese People's Political Consultative Conference, and 0 otherwise. *State-controlled firms* are firms in which the *ultimate* controller is government or its agency (i.e., the largest shareholder). Firm visibility is also operationalized by two variables. *Firm size* is measured by the number of employees (natural logged). *Reputation* is coded as 1 if the firm had won any national award since 2005 (and till the year before the observation) and 0 otherwise. We chose eight nationally well-known reputation rankings following consultation with experts in corporate reputation in China.[6]

Market-based institutional development is measured by the *Marketization Index* provided by NERI (Fan et al 2011). This index is a composite measure based on the following five dimensions reflecting the development of market institutions: the relationship between government and market, the development of the private sector, marketization of the product market, marketization of the factor market, and development of marker intermediaries and legal environment. The index varies from 0 to 10, and a high score represents a high level of market institutional development.

To measure local government priority on GDP growth, we used *annual GDP growth rate* (real rate) at the provincial level. It is calculated based on the increase in the GDP of each province at the given year compared with that of the previous year, adjusted for inflation. Studies suggest that the achieved GDP growth rate in China typically approximated the planned target because of the evaluation and planning processes in local governments (Wu 2010). We also checked the five-year plan of some provinces and municipalities and found the achieved GDP growth rate to be consistent

[6] These reputation rankings are: the most respected companies (as selected by the Case Research Center at Peking University and the Economic Observer), the best employer award (by China's Central Television), China's best corporate citizenship award (by the 21 Century Newspaper), the most praised companies (by Fortune magazine), firms with the highest sense of responsibility (by China Newsweek and China Red Cross), the Guangming CSR award (by Guangming Daily), companies with the best image (by the Research Center on Development of the State Council), and the CSR ranking issued by The Hurun Report.

with that in their plans. This measure thus captures to what extent the local government prioritized GDP growth. Although, given the huge growth potential of China's market, GDP growth rates of the provinces were high during our observation period in comparison with the rest of the world, there was significant variation across provinces, ranging from 8.10% to 19.1%, reflecting major differences in local government priorities.

Given that provinces vary in the configuration of both types of institutional pressures (market and local government priority), we created a set of dummy variables to categorize different institutional configurations. In the first step, we created two dichotomous variables for high and low market institutional development and local government priority on GDP growth respectively, by comparing each province's marketization index and annual GDP growth rate with their respective national means from 2008 to 2010. Provinces with relatively strong market institutions and high priority on GDP growth are those that demonstrated above-the-mean marketization level and GDP growth rate. In the second step, we created 4 mutually exclusive types of provinces: 1) provinces with strong market institutions and high local government priority on GDP growth (1 if both the marketization level and GDP growth rate of the province are above the mean, and 0 otherwise); 2) provinces with strong market institutions and low local government priority on GDP growth (1 if the marketization level is above the mean but the GDP growth rate is below the mean, and 0 otherwise); 3) provinces with weak market institutions and high local government priority on GDP growth (1 if the marketization level is below the mean but the GDP growth rate is above the mean, and 0 otherwise; 4) provinces with weak market institutions and low local government priority on GDP growth (1 if both the marketization level and GDP growth rate of the province are below the mean, and 0 otherwise).

To test our hypotheses H3a and H3b, we compare firms in Type 1 provinces with those in Type 2 provinces. Hence the dummy variable Type 1 is of focal interest for testing our arguments, and Type 2 is treated as the reference category (omitted category).

Control variables. We control for the potential economic incentives for voluntary CSR reporting - incentives that prior studies have shown to influence firms' engagement in CSR, as firms active in CSR may also engage more in CSR reporting. Firms can use CSR as a marketing tool to enhance their competitive positioning (e.g. McWilliams and Siegel 2000, Nakamura et al2001).

Hence firms in *consumer-related* industries, where firms sell directly to individual consumers, may depend more on individual consumers and have a stronger motivation to be recognized, and therefore may engage more in CSR and CSR reporting (Fry et al1982). In contrast, firms in *monopoly industries* may have less incentive to engage in CSR reporting due to the lack of competition. In our sample, monopoly industries include power generation and oil production (Jin 2005). Similarly, firms that place a greater emphasis on their public image are found to engage more in CSR (Berman et al1999, McWilliams and Siegel 2000), and may be more motivated to report their CSR activities. We therefore control for *advertising intensity* (total expenditures on advertising or other sales-related activities divided by total assets).

In addition, we control for other potential institutional influences. To account for the potential transnational influence from the global norms on CSR reporting, we control for *foreign direct investment*, measured as the percentage of foreign shares in a firm (Chapple and Moon 2005). As disclosure practices of industry peers are found to impact the focal firm (Pfarrer et al. 2008), we control for the *total number of firms in the focal firm's industry that have issued* a CSR report in the prior year (excluding the focal firm) (DiMaggio and Powell 1983, Davis 1991).[7]

We also control for *firm profitability* measured as return on assets (ROA), which may affect the availability of slack resources devoted to CSR and CSR reporting. We control for *firm age* measured as years that have passed since the year the firm was listed, since older firms may be more inert and less responsive to new policies (Hannan and Freeman 1984). Stock market exchange is also controlled. *Listed on Shenzhen Stock Market* is coded as 1 and Shanghai Stock Market is coded as 0. We also control for provincial level real GDP volume. Whether *the firm has issued a report before* is also controlled, as the firm that has issued a report in the past is likely to issue a report again. Firms operating in *polluting industries* may perceive stronger pressure from public concerns about environmental sustainability, and therefore may engage more in CSR reporting. In our sample, polluting industries include chemicals, oil refineries, iron and steel, cement. Finally, we control for year dummies when examining the quality of CSR reports.

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[7] We also tried using the percentage of firms in the focal firm's industry that have issued a CSR report, and results did not differ substantively from those reported here.

Analysis

We use event history analysis to examine how quickly non-targeted firms issued CSR reports after the central government announced the guidelines (Box-Steffensmeier and Jones 2004). The data structure for our event history analysis consists of yearly spells with both time-invariant and time-variant variables. We employ the constant rate model, which assumes that the baseline hazard rate is constant and the change in hazard rate over time can be explained by the covariates. For robustness check, we also estimated cox models and logit models and found consistent results.

For the quality of CSR reports, we conducted random-effects linear regression as several of our independent variables are time-invariant (e.g., measures on institutional linkage). Since only firms that issued CSR reports are included in the analysis and non-issuing firms were not randomly distributed, we performed a two-stage Heckman selection model (Heckman 1979). In the first stage, we employed a random-effects probit model to estimate the likelihood of issuing a CSR report, using the covariates that were found to be significant in the event history analysis described above. The instrument variable was whether a firm was listed on the Shengzhen or Shanghai Stock Exchange. Since many more firms listed on Shanghai Stock Exchange were targeted by central government guidelines to issue CSR reports than listed on Shengzhen Stock Exchange, non-targeted firms listed on Shanghai Stock Exchange may perceive more urgency to issue reports. But there is no theoretical reason that the listing place could affect the quality of the report.[8] The second-stage model predicting CSR report quality includes the estimated rate (λ), which is the index function from the probit model transformed into a hazard rate using the inverse Mills ratio (Van De Ven and Van Praag 1981).

All variables that vary by year are lagged by one year to predict the rate of issuing a CSR report as well as report quality.

RESULTS

Table 1 presents descriptive statistics of the variables for Chinese listed firms that were not targeted by the central government's guidelines on CSR reporting. Table 2 presents the event history

[8] In the first-stage model, being listed on Shenzhen Stock Exchange is negatively associated with the likelihood of CSR reporting ($p<.05$). Furthermore, the correlation between being listed on Shenzhen stock exchange and the two quality measures were -0.0045 and -0.0179 and insignificant.

models predicting a firm's rate of issuing a CSR report. Tables 3a and 3b present the regression results on report quality measured by pages per item and RKS score respectively, and are second stage models after correcting for sample selection bias.

***** INSERT Table 1 about Here *****

In Table 2, Model 1 is the baseline with only control variables. Model 2 adds the independent variables for institutional linkage and visibility, improving the model fit over the baseline ($p < .01$). Model 3 further adds the variables of local market institutional development and local GDP growth rate. In Model 4, instead of the two variables for local institutional contexts, we used three categorical variables to capture the different configurations of the two institutional dimensions (with the omitted category being Type 2 provinces, i.e., provinces with relatively advanced market-based institutions and low priority on GDP growth). In Models 5 to 8, interactions between categories and firms' institutional linkage and visibility are added respectively.[9] We followed the same order of models when estimating CSR report quality in Tables 3a and 3b.

***** INSERT Table 2 about Here *****

Hypothesis 1a posits that firms with institutional linkage to the state will issue CSR reports sooner and will issue higher quality reports. In Models 3 and 4 of Table 2, both state ownership control and political appointment are positive ($p<0.01$). With respective to report quality, both variables are positive in Models 3 and 4 of Tables 3a where CSR report quality is measured by pages per item ($p<0.1$). In Table 3b, where quality is measured by RKS score, both variables are positive in Models 3 and 4 ($p<0.01$). These results suggest that the untargeted firms where the state is the controlling shareholder issue CSR reports sooner after the announcement of central government guidelines and issue higher quality reports, and that the non-targeted firms where the top executive holds national political appointment also issue reports sooner and of higher quality. Hence, Hypothesis 1a is supported.

***** INSERT Tables 3a and 3b about Here *****

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[9] For both rate and quality, we also tried including all the interaction terms in one model, and most results remained substantively unchanged from including interactions separately. The only exception was reputation, whose significance level became reduced.

Hypothesis 1b argues for the positive effect of firm visibility on CSR reporting. Firm size and reputation have a positive effect ($p<0.01$) in Models 3 and 4 in all three tables. Large and reputable firms issue CSR reports sooner and of higher quality. Hypothesis 1b receives strong support.

Hypotheses 2a and 2b concern the effects of local market-based institutions and local government priority on GDP growth. In Model 3 of Table 2, the marketization index has a positive ($p<0.05$) effect on the rate of issuing CSR reports. However, its effect on report quality is not significant at .1 level in Table 3a or Table 3b. Hence, Hypothesis 2a on the impact of market-based institutions receives partial support. In Model 3 of Table 2, local government's priority on GDP growth has a negative effect on the rate of CSR reporting, as hypothesized, but such an effect is not significant at .1 level. However, it has a negative and significant effect on report quality (Model 3, Tables 3a and 3b, $p<0.01$). Hypothesis 2b thus receives partial support. To summarize, non-targeted firms located in regions with more developed market-based institutions are quicker to issue CSR reports after the central government's announcement, while those located in regions with high local government priority on GDP growth tend to issue lower quality CSR reports.

Hypothesis 3a and 3b posit that the positive effects of institutional linkage to the state and firm visibility on CSR reporting are reduced in regions with conflicting institutional pressures from relatively strong market institutions and high local government priority on GDP growth (Type 1 provinces). To test these hypotheses, we examine the interaction effects between such firm characteristics and the categories for regions with different institutional configurations. Note that in Model 4, Table 2, the categories for Type 3 (weak market institutions and high priority on GDP growth) and Type 4 (weak market institutions and low priority on GDP growth) are associated with a lower rate of CSR reporting than Type 2 (reference category, strong market institutions and low priority on GDP growth). These results are consistent with our arguments on the effects of local market institutional development and government priority on GDP growth in Hypotheses 2a and 2b. However, the difference between Type 1 and Type 2 is not statistically significant. This suggests that when confronted with conflicting institutional pressures (in Type 1 regions), different firms may respond to different institutional pressures and thus exhibit different responses to CSR reporting, in? as far as the average responsiveness did not differ systematically from that in Type 2 region. Hence it is important to examine how firm attributes affect firm response in the midst of conflicting institutional pressures.

In Model 5 of Table 2, the interaction term between political appointment and Type 1 is negative but not significant. However, the interaction is negative and significant in Model 5, Table 3a ($p<0.1$) where the dependent variable is *report quality* measured by pages per item. In Model 5, Table 3b, the interaction term is negative as expected, but not significant.

Similarly, in Model 6 of Table 2, the interaction term between state ownership control and Type 1 is negative but not significant. However, for CSR report quality, the positive effect of state ownership control is significantly reduced in Type 1 regions compared with Type 2 regions ($p<0.10$ or $p<.05$) (Model 6 of Tables 3a and 3b). Furthermore, we find similar pattern in Models 7 and 8 regarding firm size and reputation. Both are negatively moderated by Type 1 regions with respect to CSR report quality (Tables 3a and 3b), but not in terms of the rate of issuing CSR reports.

To illustrate the interaction terms, we plot two graphs using the results on political appointments and firm size measuring institutional linkage to the state and firm visibility. In Figure 2a, being politically appointed in a Type 2 region (on the right) increases the number of pages per item from two to four. In contrast, such an increase is less than one page in Type 1 regions (on the left). Similarly, in Figure 2b, an increase in firm size leads to a much larger improvement in the quality of CSR reports in a Type 2 region than such an improvement in a Type 1 region. These comparisons suggest that political appointment and firm size serve to channel firm attention to the local government's growth imperatives in Type 1 regions, and hence reduce these firms' otherwise high CSR report quality.

***** INSERT Figure 2a, 2b about Here *****

Taken together, our argument for the reduced impact of institutional linkage and visibility in regions with conflicting institutional pressures is supported with regard to the quality of CSR reports, but not for the rate of issuing CSR reports. H3a and H3b receive partial support.

DISCUSSION AND CONCLUSION

We have proposed a framework in which voluntary corporate disclosure is viewed as organizational response to institutional complexity, and tested it in the context of Chinese publicly listed firms' CSR reporting. Our results suggest that indeed voluntary CSR reporting was shaped by the intertwined institutional forces from central government, local government and market, and that organizational attributes such as state linkage and visibility affected how firms responded to such institutional complexity. Specifically, after the central government issued the guidelines on CSR reporting, non-targeted firms with institutional linkage to state and high visibility issued CSR reports more quickly and their reports were of higher quality. Firms located in provinces with relatively advanced market institutions issued reports more quickly, while those in provinces with high local government priority on GDP growth issued poorer quality reports. In regions with conflicting institutional pressures – relatively advanced market institutions and high local government priority on GDP growth – the CSR report quality premium for firms with state linkage and high visibility was significantly reduced compared with similar firms in regions with consistent institutional pressures (relatively advanced market institutions and low local government priority on GDP growth).

Our findings indicate that in the context of the central government initiative, institutional pressures from the market and local government influence different aspects of voluntary CSR reporting. Where market institutions are more developed, CSR reporting is adopted more quickly but is not of superior quality. This may indicate that market institutions in a transitional economy are not yet strong enough to pressure firms to substantively improve their CSR reporting. Consistent with the institutional void perspective that emphasizes the impact of weak market institutions (Khanna and Palepu 2000), the market transition may not have generated strong enough stakeholder pressure (pressure from consumers, employees, and social activists) on firms to shoulder social responsibilities. Meanwhile, a local government priority on GDP growth does not significantly reduce adoption of the new practice, but has a strong negative impact on the quality of the CSR reports issued. This suggests that given the simultaneously hierarchical and autonomous relationship between the central and local governments (Qian and Weingast 1997), firms in provinces where GDP growth is prioritized are no less driven to adopt CSR reporting, even if symbolically. A significantly lower incidence of adoption may threaten the legitimacy of the local government in the eyes of the central government.

Based on an interview with the CEO of Rankins (RKS), CSR report quality is directly influenced by firms' actual CSR performance, that is, if they have done a lot and have much to say, they can issue a good report rather easily; otherwise, there is not enough content to produce a good report. Therefore, pressure from local government growth priorities may directly and substantially affect the investment in CSR, which diminishes firms' capacity to issue high-quality CSR reports, rather than hindering the symbolic adoption of CSR reporting encouraged by central government.

State linkage and visibility channel firm attention to the local governments' growth imperatives in regions with conflicting pressures from the market and local government, and as a result these attributes lower the quality of CSR reports rather than reduce the issuance of reports. Moreover, it is worth noting that these attributes expose firms simultaneously to both central and local government influences. Their not-so-different adoption rates but lower quality of CSR reporting also suggest a decoupling of adoption from substance in their response to conflicting government expectations.

This study has some limitations. First, while provincial GDP growth rates capture local governments' policy priorities, the use of government documents, government official evaluation/promotion criteria and budget data to measure policy orientation might better reflect government priorities. Second, given our emphasis on the institutional forces of state and domestic market, we have not paid sufficient attention to the potential influence of mature markets abroad where CSR reporting is widespread.

Nevertheless, our study contributes to research on voluntary disclosure by offering a framework to view such firm behavior as response to institutional complexity. This framework builds upon the recent development in the literature on firms' self regulation that has started to examine the influence from broader institutional pressures (Delmas and Toffel 2008, Reid and Toffel 2009), but extends it by considering the coexistence of conflicting institutional pressures. Our framework can better explain the variation in firms' voluntary disclosure by considering the multiple and conflicting institutional pressures facing firms and the firm attributes that filter these pressures. For instance, without considering the configuration of local institutional pressures, it would be difficult to explain the variation in CSR reporting of state-linked and highly visible firms.

More specifically, our framework enriches the current debate over the role of state regulation in firms' voluntary disclosure or self-regulatory behavior in general (King and Lenox 2000). While some have suggested that state regulation can suppress the intrinsic motivation for voluntary disclosure (Praffer et al 2008), others have emphasized the importance of state involvement in encouraging voluntary behavior and ensuring substantive implementation (Short and Toffel 2010). What the two sides of the debate have in common is viewing state regulation primarily as coercive forces backed up with monitoring and penalty. We have presented a case where the state regulation exerts normative pressure. While prior research has noted that state mandates can create normative legitimacy for the practices mandated (such as the equal employment opportunity and affirmative action, Edelman 1992), less is examined about whether and how the normative pressure from state regulation can influence corporate voluntary behavior. Our study suggests while such normative pressure leads firms with state linkage and high visibility to respond quickly and substantively, it also allows opposing institutional forces from government to hinder firm response including these otherwise more susceptible firms.

Our framework is particularly useful in transitional markets where the deterrence from state regarding CSR reporting is typically weaker and market-based institutions are not uniformly well developed. Despite the lack of deterrence regarding CSR and CSR reporting, government is an important source of legitimacy and power. Government regulation on voluntary disclosure can exert a strong normative pressure on firms, particularly those with attributes such as state linkage and high visibility. Our study reveals that, given the relatively weak market forces, the central government guidelines have played a major role in the growth of voluntary CSR reporting. Furthermore, the response of firms to the central government guidelines depends on the configuration of local institutional pressures where firms are embedded, and the way the organizational attributes channel firm attention to/away from these pressures. Meanwhile, our findings on the importance of market-based institutions may suggest that prior studies based on mature markets need to consider an important boundary condition: the strength of market-based institutions. The advantage of our framework of voluntary disclosure as organizational response to institutional complexity is that it allows us to consider more fully the impact of institutional variations.

By examining how organizational attributes affect firm response to multiple institutional pressures, our study also extends the recent research on organizational responses to multiple institutional pressures and logics (Delmas and Toffel 2008, Greenwood et al. 2011). This literature has suggested that in the midst of conflicting pressures or logics, organizational attributes can channel managerial attention toward one type rather than the other. Our findings confirm this argument: organizational attributes such as state linkage and visibility channel firm attention towards local government growth imperatives – rather than market forces – in regions where these different institutional pressures result in conflicting guidance regarding CSR reporting. More importantly, we extend this argument by incorporating the magnifying and channelling roles of organizational attributes (e.g., Edelman 1992, Greenwood et al. 2011). Given the conflict between central government expectations and local government demands, these attributes thus serve to channel managerial attention to the tension between institutional pressures. In other words, instead of channelling firm attention to one type of institutional pressure and thus away from conflict, as the existent literature implies, we find some organizational attributes expose firms to even greater tension because of their combined channelling and magnifying roles. Consequently, firms with such attributes do not choose to conform to one pressure or the other, but instead they make a compromise. To a certain extent, state-linked and highly visible firms in regions with conflicting institutional pressures decouple the adoption of CSR reporting from CSR reporting quality, through lowering the quality premium of CSR reports. Future research can explore more systematically the conditions under which organizational attributes expose firms to heightened tension from conflicting institutional pressures and give rise to decoupling responses.

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Table 1: Means, Standard Deviations, and Correlations

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1. Consumer industries	0.06	0.24												
2. Monopoly industries	0.05	0.21	-0.06*											
3. Advertising intensity (%)	0.04	0.06	0.05*	-0.03										
4. FDI (%)	0.02	0.07	-0.01	-0.03*	0.03									
5. Number of firms issuing reports in the focal industry	13.28	11.69	0.07*	0.06*	-0.01	0.02								
6. ROA	0.06	0.06	-0.05*	0.00	0.13*	0.01	0.03*							
7. Firm age	11.23	4.97	0.19*	-0.08*	-0.03*	-0.16*	-0.29*	-0.13*						
8. Listed on Shenzhen stock exchange	0.51	0.50	-0.27*	-0.20*	0.03	0.09*	-0.18*	0.10*	-0.24*					
9. GDP	1.71	1.10	-0.08*	-0.04*	0.01	0.12*	-0.02	0.04*	-0.15*	0.21*				
10. Having issued CSR reports already	0.34	0.48	-0.01	-0.01	0.02	0.05*	0.15*	0.08*	-0.20*	0.09*	0.03*			
11. Polluting industries	0.33	0.47	-0.18*	-0.12*	-0.02	0.03	-0.09*	0.03*	-0.10*	0.64*	0.04*	-0.03		
12. State-controlled firms	0.52	0.50	0.09*	0.04*	-0.05*	-0.14*	0.02	-0.16*	0.23*	-0.18*	-0.21*	-0.04*	-0.05*	
13. Political appointment	0.06	0.24	-0.01	0.00	0.11*	0.01	-0.02	0.04*	-0.04*	0.03	0.01	0.03*	0.02	-0.01
14. Firm size (In)	7.18	1.13	0.04*	0.00	0.05*	0.00	0.13*	-0.07*	0.14*	-0.12*	-0.08*	0.01	0.02	0.24*
15. Reputation	0.03	0.17	0.10*	0.03	0.10*	-0.02	0.07*	0.01	0.04*	-0.03*	0.02	0.06*	-0.01	0.03
16. Marketization	8.68	2.00	0.00	-0.05*	0.00	0.10*	-0.02	0.04*	-0.08*	0.05*	0.69*	0.05*	-0.03	-0.18*
17. GDP growth rate	12.39	2.22	-0.02	0.01	-0.03	-0.02	-0.10*	-0.02	0.07*	0.00	-0.27*	-0.07*	0.07*	0.06*
18. Type 1 provinces	0.19	0.39	0.02	-0.03	-0.03*	0.05*	-0.11*	0.01	0.05*	-0.03	0.06*	0.00	0.00	-0.05*
19. Type 2 provinces	0.35	0.48	-0.01	-0.02	0.04*	0.07*	0.07*	0.03	-0.10*	0.05*	0.62*	0.08*	-0.05*	-0.14*
20. Type 3 provinces	0.32	0.46	-0.02	0.03	-0.01	-0.08*	0.01	-0.03*	0.06*	0.01	-0.44*	-0.05*	0.06*	0.10*
21. Type 4 provinces	0.14	0.35	0.01	0.03	0.00	-0.05*	0.02	-0.01	0.00	-0.05*	-0.33*	-0.03*	-0.01	0.10*
22. Pages per item	2.40	2.44	0.26*	-0.05	0.06	-0.04	-	-0.05	-0.01	0.00	0.06	-	0.01	0.10*
23. RKS score	31.57	11.45	0.24*	0.00	0.07*	-0.03	-	-0.04	-0.10*	-0.02	0.10*	-	0.04	0.14*

Table 1 Continued

Variables	13	14	15	16	17	18	19	20	21	22
14. Firm size (In)	0.05*									
15. Reputation	0.07*	0.16*								
16. Marketization	-0.03*	-0.09*	0.05*							
17. GDP growth rate	0.02	0.02	-0.04*	-0.31*						
18. Type 1 provinces	-0.04*	-0.04*	0.03	0.27*	0.44*					
19. Type 2 provinces	-0.04*	-0.08*	0.05*	0.66*	-0.69*	-0.36*				
20. Type 3 provinces	0.07*	0.05*	-0.06*	-0.51*	0.53*	-0.33*	-0.50*			
21. Type 4 provinces	0.01	0.08*	-0.03	-0.53*	-0.24*	-0.20*	-0.30*	-0.27*		
22. Pages per item	0.09*	0.26*	0.35*	0.07*	-0.17*	-0.01	0.12*	-0.14*	0.01	
23. RKS score	0.11*	0.30*	0.37*	0.10*	-0.20*	-0.07*	0.17*	-0.16*	0.05	0.84*

Note: * p<.05. Number of observations for event history analysis = 3,806 (number of firms =1,380). Descriptives for variable 22 are based on 753 observations (number of firms =316) and those for variable 23 are based on 706 observations (number of firms =295).
Type 1 provinces: high marketization and high local government priority on GDP growth; Type 2 provinces: high marketization and low local government priority on GDP growth;
Type 3 provinces: low marketization and high local government priority on GDP growth; Type 4 provinces: low marketization and low local government priority on GDP growth.

Table 2: Event History Models Predicting Non-targeted Chinese Publicly Listed Firms' Rate of Issuing CSR report, 2008-2010

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Consumer industries	-0.08	-0.17	-0.17	-0.19	-0.19	-0.19	-0.19	-0.18
	(0.20)	(0.18)	(0.18)	(0.18)	(0.18)	(0.18)	(0.18)	(0.18)
Monopoly industries	0.13	0.02	0.04	0.03	0.03	0.04	0.04	0.02
	(0.19)	(0.21)	(0.22)	(0.22)	(0.22)	(0.22)	(0.21)	(0.22)
Advertising intensity (%)	0.28	-0.52	-0.46	-0.47	-0.40	-0.43	-0.41	-0.53
	(0.77)	(0.84)	(0.85)	(0.86)	(0.86)	(0.85)	(0.86)	(0.86)
FDI (%)	-0.21	0.24	0.21	0.14	0.15	0.12	0.13	0.15
	(0.62)	(0.61)	(0.61)	(0.60)	(0.60)	(0.60)	(0.60)	(0.60)
Number of firms issuing reports in the focal industry	0.002	-0.003	-0.004	-0.004	-0.003	-0.003	-0.003	-0.003
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
ROA	0.98*	1.28**	1.27**	1.26**	1.22*	1.22**	1.23**	1.37**
	(0.43)	(0.48)	(0.47)	(0.47)	(0.48)	(0.47)	(0.47)	(0.45)
Firm age	0.02	0.01	0.01	0.01	0.01	0.005	0.004	0.005
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Listed on Shenzhen Stock Exchange	-0.74**	-0.64**	-0.61**	-0.59**	-0.59**	-0.59**	-0.59**	-0.59**
	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)
GDP	-0.05	-0.03	-0.14*	-0.17**	-0.17**	-0.17**	-0.18**	-0.16*
	(0.05)	(0.05)	(0.07)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Having issued CSR reports already	1.20**	1.14**	1.13**	1.12**	1.12**	1.12**	1.12**	1.12**
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Polluting industries	0.53**	0.39**	0.39**	0.39**	0.39**	0.38**	0.39**	0.38**
	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)
Independent variables								
State-controlled firms		0.33**	0.36**	0.35**	0.36**	0.26+	0.35**	0.36**
		(0.11)	(0.11)	(0.11)	(0.11)	(0.15)	(0.11)	(0.11)
Political appointment		0.49**	0.52**	0.56**	0.41+	0.57**	0.54**	0.57**
		(0.14)	(0.14)	(0.14)	(0.22)	(0.14)	(0.14)	(0.14)
Firm size		0.12**	0.12**	0.12**	0.12**	0.12**	0.10+	0.12**
		(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.05)	(0.04)
Reputation		0.71**	0.64**	0.57**	0.57**	0.59**	0.64**	0.67**
		(0.15)	(0.16)	(0.16)	(0.17)	(0.16)	(0.16)	(0.19)
Marketization			0.08*					
			(0.03)					
GDP growth rate			-0.01					
			(0.02)					
Type 1 provinces (Type 2 omitted)				-0.04	-0.04	0.02	0.48	-0.02
				(0.07)	(0.08)	(0.12)	(0.34)	(0.08)
Type 3 provinces				-0.47**	-0.50**	-0.72**	-1.43*	-0.47**
				(0.13)	(0.14)	(0.22)	(0.66)	(0.14)
Type 4 provinces				-0.45**	-0.52**	-0.61*	-1.34	-0.40*
				(0.16)	(0.17)	(0.30)	(0.84)	(0.17)
State-controlled firms* Type 1 provinces					-0.09			
					(0.15)			
State-controlled firms* Type 3 provinces					0.35			
					(0.24)			
State-controlled firms* Type 4 provinces					0.22			
					(0.32)			
Political appointment* Type 1 provinces						-0.04		
						(0.24)		
Political appointment* Type 3 provinces						0.20		
						(0.29)		
Political appointment* Type 4 provinces						0.56		
						(0.40)		
Size* Type 1 provinces							-0.07	
							(0.05)	
Size* Type 3 provinces							0.13	
							(0.08)	
Size* Type 4 provinces							0.12	
							(0.11)	
Reputation* Type 1 provinces								-0.12
								(0.18)
Reputation* Type 3 provinces								0.07
								(0.33)
Reputation* Type 4 provinces								-1.67
								(1.15)
Constant	-2.22**	-3.13**	-3.57**	-2.73**	-2.70**	-2.71**	-2.56**	-2.74**
	(0.22)	(0.35)	(0.48)	(0.38)	(0.38)	(0.38)	(0.45)	(0.38)
Log likelihood	-1436.36	-1323.56	-1318.09	-1311.98	-1310.50	-1309.56	-1308.53	-1309.55

Note: Robust standard errors in parentheses. Number of observations = 3,806 (number of firms =1,380). Number of events = 753.
** $p<0.01$, * $p<0.05$, + $p<0.1$, Two-tailed tests of significance.
Type 1: high marketization and high local government priority on GDP growth; Type 2: high marketization and low local government priority on GDP growth; Type 3: low marketization and high local government priority on GDP growth; Type 4: low marketization and low local government priority on GDP growth.

Table 3a: Random-Effects Models Predicting Non-targeted Chinese Publicly Listed Firms' CSR Report Quality (Pages Per Item), 2008-2010

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Consumer industries	1.84**	1.63**	1.59**	1.61**	1.58**	1.61**	1.62**	1.62**
	(0.47)	(0.46)	(0.46)	(0.46)	(0.46)	(0.46)	(0.46)	(0.45)
Monopoly industries	-0.52	-0.45	-0.43	-0.42	-0.42	-0.46	-0.48	-0.48
	(0.48)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.46)
Advertising intensity	-0.49	-1.01	-0.97	-0.93	-1.05	-0.67	-0.74	-0.69
	(1.81)	(1.81)	(1.80)	(1.81)	(1.80)	(1.82)	(1.80)	(1.79)
FDI (%)	-3.38*	-3.50*	-3.22*	-3.40*	-3.56*	-3.70*	-3.20*	-3.41*
	(1.50)	(1.49)	(1.49)	(1.50)	(1.49)	(1.51)	(1.49)	(1.49)
ROA	-0.28	0.62	0.52	0.57	0.65	0.61	0.65	0.50
	(1.32)	(1.33)	(1.33)	(1.34)	(1.34)	(1.34)	(1.34)	(1.34)
Firm age	0.01	-0.01	-0.02	-0.01	-0.01	-0.01	-0.01	-0.01
	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
GDP	0.28*	0.16	0.09	0.08	0.07	0.08	0.12	0.12
	(0.11)	(0.11)	(0.16)	(0.14)	(0.13)	(0.14)	(0.14)	(0.14)
Polluting industries	0.05	-0.07	-0.06	-0.05	-0.06	-0.05	-0.03	-0.06
	(0.24)	(0.24)	(0.24)	(0.24)	(0.24)	(0.24)	(0.24)	(0.24)
2009	0.09	0.35*	0.09	0.24	0.21	0.23	0.17	0.17
	(0.13)	(0.14)	(0.18)	(0.18)	(0.18)	(0.18)	(0.18)	(0.18)
2010	0.07	0.53**	0.27	0.42*	0.39+	0.41+	0.33	0.32
	(0.14)	(0.18)	(0.21)	(0.21)	(0.21)	(0.22)	(0.22)	(0.22)
Inverse Mills Ratio	-0.36**	0.09	0.13	0.11	0.09	0.09	0.03	0.03
	(0.05)	(0.13)	(0.14)	(0.13)	(0.13)	(0.13)	(0.13)	(0.13)
Independent variables								
State-controlled firms		0.44+	0.51+	0.47+	0.42+	0.69*	0.42+	0.39
		(0.25)	(0.26)	(0.25)	(0.25)	(0.30)	(0.25)	(0.25)
Political appointment		0.52	0.58+	0.58+	1.19*	0.52	0.53	0.49
		(0.33)	(0.35)	(0.34)	(0.50)	(0.34)	(0.34)	(0.34)
Firm size		0.33**	0.34**	0.34**	0.34**	0.33**	0.45**	0.30**
		(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.12)	(0.11)
Reputation		2.71**	2.89**	2.79**	2.65**	2.66**	2.27**	2.86**
		(0.80)	(0.84)	(0.81)	(0.81)	(0.82)	(0.83)	(0.81)
Marketization			0.003					
			(0.09)					
GDP growth rate			-0.11**					
			(0.04)					
Type 1 provinces (Type 2 omitted)				-0.24	-0.16	0.05	1.79*	-0.14
				(0.20)	(0.20)	(0.26)	(0.74)	(0.20)
Type 3 provinces				-0.34	-0.24	-0.14	1.60	-0.16
				(0.27)	(0.28)	(0.40)	(1.35)	(0.28)
Type 4 provinces				-0.20	-0.18	-0.09	2.38	-0.04
				(0.30)	(0.32)	(0.51)	(1.82)	(0.31)
State-controlled firms* Type 1 provinces					-0.49+			
					(0.29)			
State-controlled firms* Type 3 provinces					-0.33			
					(0.43)			
State-controlled firms* Type 4 provinces					-0.23			
					(0.57)			
Political appointment* Type 1 provinces						-0.94+		
						(0.50)		
Political appointment* Type 3 provinces						-0.93		
						(0.58)		
Political appointment* Type 4 provinces						-0.48		
						(0.69)		
Size* Type 1 provinces							-0.27**	
							(0.10)	
Size* Type 3 provinces							-0.25	
							(0.17)	
Size* Type 4 provinces							-0.33	
							(0.23)	
Reputation* Type 1 provinces								-0.71+
								(0.41)
Reputation* Type 3 provinces								-2.00*
								(0.84)
Reputation* Type 4 provinces								-1.60
								(1.65)
Constant	3.66**	-1.67	-0.45	-1.52	-1.37	-1.42	-1.94	-0.81
	(0.47)	(1.43)	(1.98)	(1.44)	(1.44)	(1.45)	(1.45)	(1.46)
R-squared	0.19	0.23	0.24	0.23	0.24	0.23	0.24	0.25

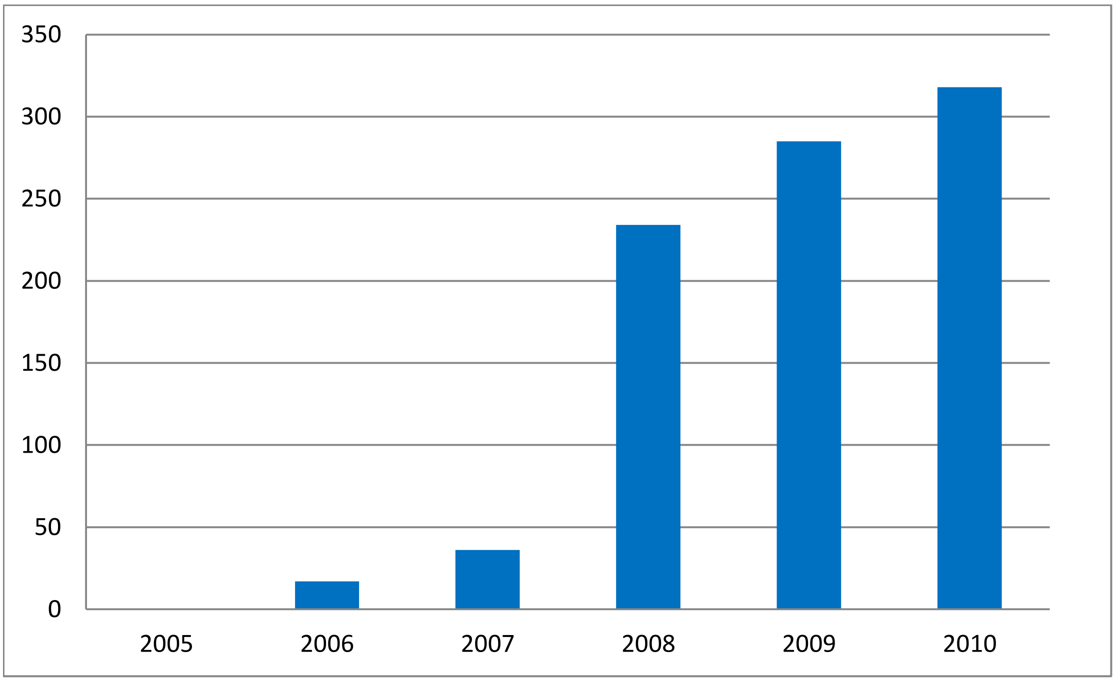
Note: Robust standard errors in parentheses. Number of observations = 753 (number of firms = 316).
** p<0.01, * p<0.05, + p<0.1, Two-tailed tests of significance

Table 3b: Random-Effects Models Predicting Non-targeted Chinese Publicly Listed Firms' CSR Report Quality (RKS Score), 2008-2010

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Consumer industry	8.54**	7.12**	6.97**	7.06**	7.05**	7.19**	7.21**	7.11**
	(2.33)	(2.31)	(2.30)	(2.30)	(2.30)	(2.29)	(2.28)	(2.29)
Monopoly industry	-0.82	-0.28	-0.05	-0.22	-0.23	-0.50	-0.42	-0.64
	(2.39)	(2.35)	(2.36)	(2.35)	(2.34)	(2.34)	(2.33)	(2.33)
Advertising intensity	-1.84	-5.24	-4.49	-4.84	-5.01	-3.02	-3.29	-3.28
	(8.51)	(8.53)	(8.52)	(8.54)	(8.53)	(8.52)	(8.47)	(8.48)
FDI (%)	-14.37*	-16.24*	-15.22*	-15.20*	-15.29*	-16.96*	-14.19*	-15.73*
	(7.17)	(7.08)	(7.09)	(7.11)	(7.12)	(7.13)	(7.07)	(7.06)
ROA	-5.95	-0.31	-0.58	-1.16	-1.24	-0.51	-1.03	-1.98
	(5.77)	(5.75)	(5.77)	(5.80)	(5.82)	(5.80)	(5.78)	(5.76)
Firm age	-0.18	-0.36**	-0.38**	-0.36**	-0.36**	-0.36**	-0.35**	-0.32**
	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)
GDP	1.68**	0.95+	0.32	0.56	0.57	0.58	0.75	0.91
	(0.53)	(0.55)	(0.76)	(0.65)	(0.65)	(0.64)	(0.65)	(0.65)
Polluting industry	1.76	1.02	1.16	1.16	1.13	1.26	1.22	1.07
	(1.20)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.18)	(1.18)
2009	1.13*	2.77**	1.81*	2.01**	1.96**	1.90*	1.66*	1.46+
	(0.55)	(0.62)	(0.78)	(0.75)	(0.75)	(0.75)	(0.76)	(0.76)
2010	2.27**	5.09**	4.22**	4.29**	4.21**	4.16**	3.84**	3.53**
	(0.62)	(0.81)	(0.94)	(0.93)	(0.94)	(0.93)	(0.94)	(0.95)
Inverse Mills Ratio	-1.76**	1.08+	1.43*	1.13+	1.08+	0.99+	0.80	0.52
	(0.26)	(0.58)	(0.64)	(0.59)	(0.60)	(0.60)	(0.60)	(0.62)
Independent variables								
State-controlled firms		3.69**	4.21**	3.81**	3.70**	5.33**	3.55**	3.17**
		(1.18)	(1.23)	(1.18)	(1.19)	(1.40)	(1.17)	(1.19)
Political appointment		5.06**	5.62**	5.22**	6.40**	4.86**	4.91**	4.62**
		(1.56)	(1.61)	(1.58)	(2.35)	(1.58)	(1.57)	(1.57)
Firm size		1.70**	1.81**	1.70**	1.69**	1.61**	2.04**	1.39**
		(0.52)	(0.53)	(0.52)	(0.52)	(0.52)	(0.55)	(0.52)
Reputation		17.06**	18.46**	17.16**	16.81**	16.11**	14.96**	16.81**
		(3.67)	(3.83)	(3.68)	(3.72)	(3.71)	(3.77)	(3.68)
Marketization			0.25					
			(0.40)					
GDP growth rate			-0.44*					
			(0.18)					
Type 1 provinces				-1.60+	-1.44+	0.09	8.79**	-1.00
				(0.82)	(0.84)	(1.11)	(3.19)	(0.85)
Type 3 provinces				-1.56	-1.45	0.36	3.27	-0.41
				(1.21)	(1.24)	(1.76)	(6.10)	(1.24)
Type 4 provinces				-0.81	-0.58	-0.09	5.95	0.25
				(1.34)	(1.41)	(2.29)	(8.27)	(1.37)
State-controlled firms* Type 1 provinces					-2.82*			
					(1.22)			
State-controlled firms* Type 3 provinces					-3.16			
					(1.93)			
State-controlled firms* Type 4 provinces					-1.60			
					(2.56)			
Political appointment* Type 1 provinces						-2.16		
						(2.27)		
Political appointment* Type 3 provinces						-1.19		
						(2.61)		
Political appointment* Type 4 provinces						-1.82		
						(3.13)		
Size* Type 1 provinces							-1.39**	
							(0.41)	
Size* Type 3 provinces							-0.62	
							(0.79)	
Size* Type 4 provinces							-0.86	
							(1.06)	
Reputation* Type 1 provinces								-4.24*
								(1.68)
Reputation* Type 3 provinces								-11.71**
								(3.63)
Reputation* Type 4 provinces								-8.34
								(6.84)
Constant	38.67**	7.26	9.07	8.93	9.33	9.73	8.27	14.31*
	(2.28)	(6.67)	(9.11)	(6.73)	(6.75)	(6.72)	(6.73)	(6.86)
R-squared	0.22	0.27	0.28	0.28	0.28	0.28	0.29	0.29

Note: Robust standard errors in parentheses. Number of observations = 706 (number of firms = 295).
** p<0.01, * p<0.05, + p<0.1, Two-tailed tests of significance.
Observations of RKS score are fewer than those for pages per item as some firms issued their CSR reports after RKS had finished evaluation.

Figure 1: Number of CSR Reports Issued by Non-targeted Firms



- **The central government issued its guidelines on CSR reporting at the end of 2007**

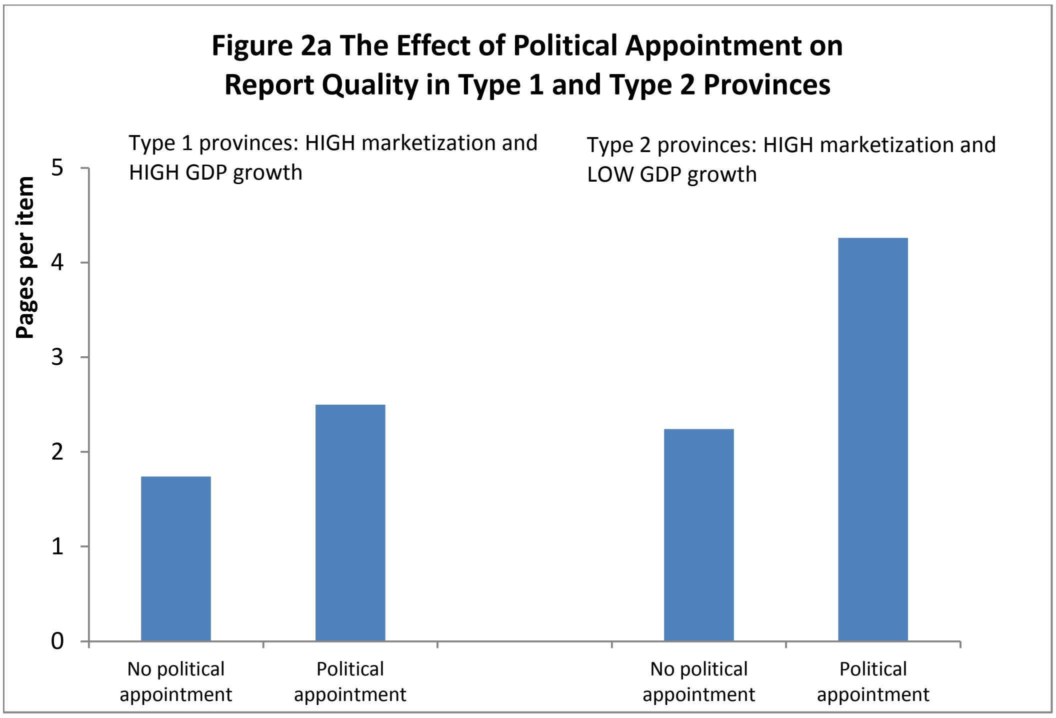


Figure 2a The Effect of Political Appointment on
Report Quality in Type 1 and Type 2 Provinces
Type 1 provinces: HIGH marketization and HIGH GDP growth
Type 2 provinces: HIGH marketization and LOW GDP growth
Pages per item
5
4
3
2
1
0
No political appointment
Political appointment
No political appointment
Political appointment

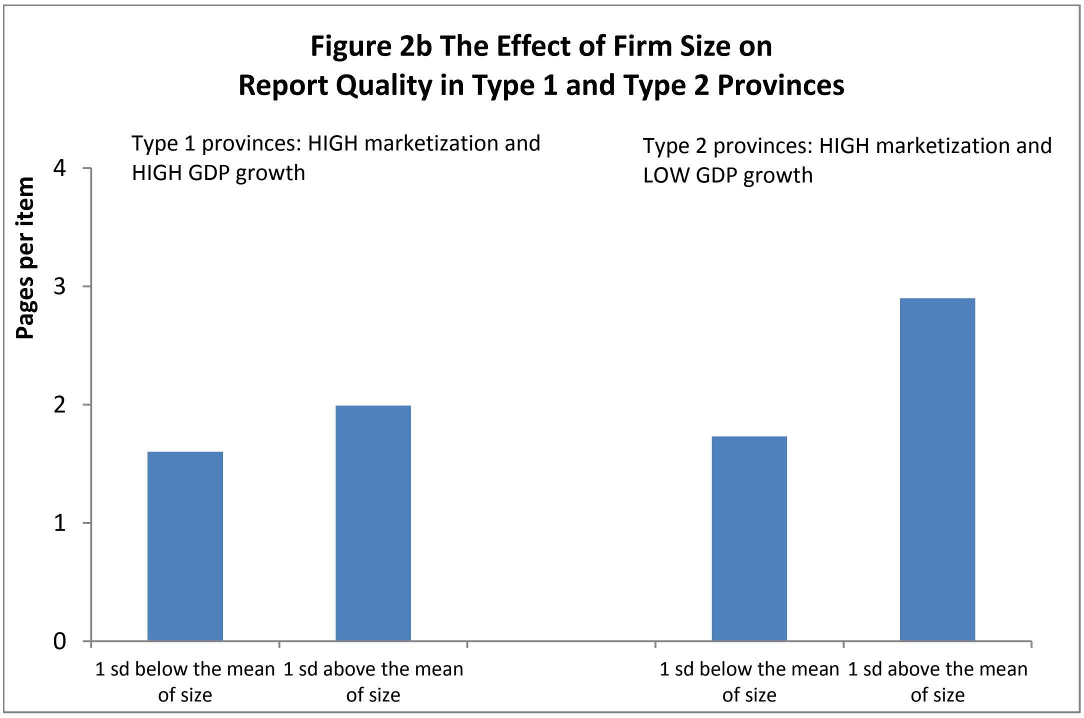


Figure 2b The Effect of Firm Size on
Report Quality in Type 1 and Type 2 Provinces
Type 1 provinces: HIGH marketization and HIGH GDP growth
Type 2 provinces: HIGH marketization and LOW GDP growth
Pages per item
4
3
2
1
0
1 sd below the mean of size
1 sd above the mean of size
1 sd below the mean of size
1 sd above the mean of size