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WHOSE CALL TO ANSWER: INSTITUTIONAL COMPLEXITY AND FIRMS' CSR REPORTING

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While research on the disclosure of CSR (corporate social responsibility) recognizes the influence of government regulations and guidelines, less attention has been given to the co-existence of conflicting pressures from the state. We develop a framework wherein CSR reporting is viewed as an organizational response to institutional complexity that arises from the conflicting demands from the central government and local governments, and apply it to publicly listed firms in China after the central government agencies issued guidelines on CSR reporting. Some provincial governments' high priority given to short-term GDP growth created tension with the central government's expectations on CSR reporting. Firms with attributes that increase scrutiny from both institutional constituencies experienced heightened tension, and they responded with early adoption but low-quality reports. Our framework was supported through a longitudinal analysis between 2008 and 2011. Our study contributes to the literature on CSR disclosure by uncovering the impact of conflicting government pressures, and advances research on institutional complexity by identifying a specific decoupling response.

While research on the reporting of CSR (corporate social responsibility) and on CSR in general increasingly recognizes the influence of government regulations and guidelines as an important institutional force (e.g., Campbell, 2007; King, Prado, & Rivera, 2011; Reid & Toffel, 2009), less understood is how corporate behavior is affected by the co-existence of *conflicting* pressures from the state. With its potential monitoring, enforcement, and signaling of appropriate corporate activity, the state can incentivize CSR disclosure (Marquis & Qian, 2014; Short & Toffel, 2008). But the state is not a monolithic entity. For instance, a divergence in priorities between the central government and local governments is common to a broad range of political systems (Oates, 1999). Yet how conflicting goals and pressures from different levels of government affect firms' disclosure have received little attention.

To fill this gap, we develop a theoretical framework in which the disclosure of CSR activities is viewed as an organizational response to institutional complexity, defined as the incompatible institutional demands that arise from the central government and local governments (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Kraatz & Block, 2008; Pache & Santos, 2010). Building on Greenwood et al. (2011) which proposes that organizational attributes shape the way firms experience institutional complexity, we focus on attributes that increase scrutiny from both of the conflicting institutional constituencies. Experiencing heightened tension, firms combine rapid adoption with low-quality implementation—a form

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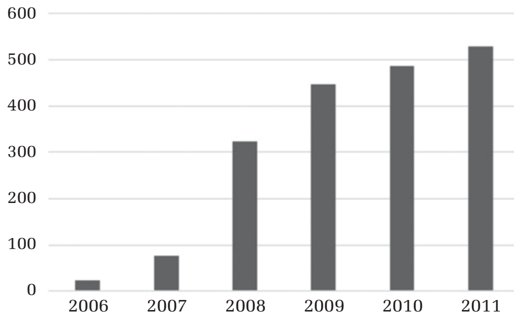
of decoupling that we identify as a hallmark of responses to accommodate institutional conflicts. This is in sharp contrast with their typical response of substantive implementation in the absence of such conflicts (e.g., Oliver, 1991). Whereas prior research distinguished between symbolic adopters and substantive implementers on the basis of different attributes (e.g., Marquis & Qian, 2014), we argue that the response of highly exposed firms can be symbolic or substantive, *depending on the presence of conflicting institutional pressures*.

We test our framework by observing the CSR reporting of publicly listed firms in China between 2008 and 2011, immediately after China's stock exchanges issued guidelines on CSR reporting in December 2007. The Shanghai and Shenzhen Stock Exchanges—both under the control of the central government[1]—required certain firms, such as those included in the "corporate governance group," to report on their CSR performance in their annual reports as of 2008. While the government guidelines signaled appropriate corporate behavior, they did not impose mandatory standards for disclosure or penalties for noncompliance. Hitherto very few firms had issued CSR reports. As shown in Figure 1, the noticeable jump that occurred in 2008 suggested that these guidelines were important in encouraging CSR reporting. However, not all targeted firms issued reports, and some firms that were not required to issue reports started to disclose. Variations in the timing of issuance and quality of reports indicate that the impact of the central government's regulatory posturing was far from uniform.

China's transitional market offers an ideal setting to test our framework for two reasons. First, it offers a "clean slate" from which to observe CSR reporting that was triggered by central government guidelines. CSR in China was largely off the corporate and public radar screen until recently (Wang, 2006), due in part to the paternalist role of government in caring for society, the focus on short-term GDP growth since the market transition, the constraints imposed on NGO activities, and China's relatively weak market institutions (Moon & Shen, 2010). Second, as a large and complex transitional economy, China has a hierarchical and relatively autonomous relationship between the central government and provincial governments. Specifically, while the central government shifted priority from an exclusive focus on

FIGURE 1
Number of CSR Reports Issued by Chinese Publicly Listed Firms



Note: The regulatory guidelines on CSR reporting were announced at the end of 2007.
Source: From the data of this paper.

economic growth to more long-term, balanced economic and social development, as signified by the CSR reporting requirement, some provincial governments still prioritized GDP growth targets, largely ignoring social goals as a result of either local interests or bureaucratic inertia. This allows us to observe the impact of institutional complexity at the level of the province.

Our study brings a new theoretical framework to research on CSR disclosure by uncovering how *conflicting* government pressures impact such corporate social behavior. More generally, it contributes to the literature on the impact of regulatory pressure (Dobbin & Sutton, 1998; Edelman, 1992; Vasudeva, 2013) by drawing attention to the institutional complexity within the state. We show how the fragmentation of the state can lead to unintended consequences of regulations. When conflicting government agendas exist, those firms that the regulations could influence the most are the ones that compromise their implementation. In addition, we extend research on organizational responses to institutional complexity (Greenwood et al., 2011) by identifying a specific form of decoupling used by highly exposed firms to cope with the competing institutional demands. Prior research sees the gap between adoption and implementation as a way of balancing the needs for external legitimacy and internal discretion or efficiency (Bromley & Powell, 2012), without explicitly addressing the speed of adoption as a dimension of the decoupling response. Indeed some studies have suggested that early adoption is more likely to be driven by internal needs and hence is less associated with decoupling (Tolbert & Zucker, 1983). In contrast, our study has found the combination of rapid adoption and

[1] The stock exchanges report directly to the China Securities Regulatory Commission, which is an agency of the State Council of the central government.

poor-quality implementation to be a unique form of decoupling to balance the competing expectations of institutional constituencies.

CSR DISCLOSURE AS ORGANIZATIONAL RESPONSE TO INSTITUTIONAL COMPLEXITY WITHIN THE STATE

Since information is costly (in terms of production, gathering, analyzing, and reporting), research on why firms disclose information has focused on the benefits and potential penalties. On the benefits side, the accounting literature argues that disclosure reduces information asymmetry between the firm and its stakeholders, thus lowering the cost of capital (Verrecchia, 2001). The economics literature suggests that in the case of market failure, a whole industry may recognize the need to self-regulate, including voluntary disclosure, in order to address information and externality problems (Barnett & King, 2008). On the side of potential penalties, disclosure is seen as a means to stave off formal government intervention. As government regulations tend to be costly and overly stringent, firms opt to disclose just enough information to forestall government involvement (Lenox, 2006).

In the absence of clear evidence of superior performance among firms engaging in disclosure, more academic attention has been given to the impact of broader institutional forces (King et al., 2011). In order to survive and grow, firms need to establish legitimacy and manage relationships with stakeholders (Oliver, 1991). In particular, as an important provider of legitimacy and resources, government can pressure firms to disclose through regulations and guidelines that signal desirable behavior, even without specifying the penalties for noncompliance (Marquis & Qian, 2014; Reid & Toffel, 2009). Despite the importance of the normative influence of regulations (Dobbin & Sutton, 1998), however, less attention has been paid to the institutional sources of *resistance* within the state.

We develop a framework of CSR disclosure as an organizational response to institutional complexity that arises from the conflicting goals and pressures of central government versus local governments. Institutional research increasingly recognizes the need for organizations to comply with multiple institutional pressures and logics that are often inconsistent or conflicting (e.g., Friedland & Alford, 1991; Greenwood et al., 2010). They place competing demands on organizations' attention, strategic priorities, and resource allocation by imposing incompatible objectives, assumptions, and guidelines about appropriate behavior (Thornton, Ocasio, & Lounsbury, 2012). Faced with both the central government hierarchy and the importance of the local political context, they must attend to both pressures simultaneously in order to obtain legitimacy and associated resource benefits (Zheng, Singh, & Mitchell, 2015). Regulation on CSR disclosure reflects a relatively long-term, holistic, and balanced view of development held by the central government, and can create tension for firms when a local government prioritizes GDP growth at the expense of social and environmental sustainability.

How do firms that experience that conflict most *intensely* respond? We draw on Greenwood et al. (2011), which argues that organizational attributes affect the way firms experience institutional complexity, focusing on the attributes that intensify firm scrutiny from institutional constituencies (Lounsbury, 2001; Oliver, 1991). Highly scrutinized organizations, such as those with institutional linkages and of large size, are associated with greater conformity when one dominant institutional pressure prevails (Edelman, 1992; Marquis & Qian, 2014; Okhmatovskiy & David, 2012). However, in the presence of institutional complexity, exemplary conformity with one institutional pressure may reduce alignment with the other (George, Chattopadhyay, Sitkin, & Barden, 2006).

We posit that highly exposed organizations combine rapid adoption with less substantive implementation in order to accommodate competing institutional demands. Institutional research has long observed that organizations decouple policy adoption from practice implementation (Meyer & Rowan, 1977; Westphal & Zajac, 1994). Policy adoption can be regarded as the symbolic dimension of a firm's response to institutional pressure, displayed for the purpose of attaining legitimacy and avoiding attack or, simply, closer inspection. Practice implementation is the substantive dimension of its response. Some organizations implement, others do not, depending on their internal operational needs, capabilities, and motivations (Bromley & Powell, 2012). In the context of corporate disclosure, decoupling has been defined as issuing low-quality reports, i.e., lacking in details of specific procedures or practices (Marquis & Qian, 2014). Superficial reporting has little impact on organizations' actual practice, akin to ceremonial policy adoption (Okhmatovskiy & David, 2012). Extending this research, we highlight the speed of adoption and identify a specific form of decoupling that combines early issuance and low report quality to capture the strategic response of *highly scrutinized firms* to *conflicting institutions*.

Highly exposed firms utilize both the timing and quality of CSR reporting to balance the tension from the central government and local government demands, as opposed to the tension between external legitimacy and internal efficiency in the case of classic decoupling. Under the close scrutiny and high expectations of the central government, they need to demonstrate exemplary compliance to maintain legitimacy by rapid issuing of reports. Legitimacy brings continued resource benefits and may stave off further demands for substantive change (Dacin, Oliver, & Roy, 1997; Westphal & Zajac, 1998); hence, these firms have an incentive to conform quickly. Meanwhile, in response to the heightened attention and demands from local government to contribute to local GDP, the same firms will reduce the commitment to CSR to align with local priorities; thus compromising the quality of their reports. This specific form of decoupling—rapid adoption of reporting with poor quality—occurs as a result of (i) institutional complexity, and (ii) firm attributes that intensify their experience of the conflict.

Next, we apply our framework to understand CSR reporting in China's transitional market. Central government guidelines on CSR reporting were issued at a time of rising social tensions from the country's almost exclusive pursuit of economic growth since the market transition got underway in 1978. The high priority given to GDP growth led to social problems ranging from heightened inequality, the exploitation of the environment, and poor product quality. The central government, given its relatively long-term orientation and concern with the interests of the country as a whole, thus began to emphasize development that was more evenly balanced between the economy, society, and the environment (Lin, 2010). At the 17th Party Congress held in 2007, it vowed to promote scientific, harmonious, and sustainable development.[2] The subsequent issuance of guidelines on CSR reporting in December 2007 reflected its goal to encourage CSR.

We first consider, as a baseline, how firms with attributes that increase scrutiny from the institutional environment generally respond to central government guidelines. We then examine the impact from the competing influence of a local government's focus on GDP growth. Lastly, we compare the response of highly scrutinized firms under conditions of strong institutional complexity with their response in general (the baseline) to reveal the specific form of decoupling.

[2] See the English version of President Hu's speech at http://english.cpc.people.com.cn/66102/6290205.html.

ORGANIZATIONAL ATTRIBUTES AND RESPONSE TO CENTRAL GOVERNMENT GUIDELINES

Since organizations may be less likely to conform to normative than to coercive pressure due to the lack of overt penalties (Oliver, 1991), not all firms will conform to central government expectations. Firms under heightened scrutiny may conform more readily. In our context, these firms are those with institutional linkages to the central government and of large size.

Institutional linkage to central government can channel normative influence and expose firms to direct and heightened attention from the central government (Baum & Oliver, 1991; Lounsbury, 2001). The central government in China maintains control over the economy through ownership and by co-opting corporate leaders into the national political system (Dickson, 2003; Lin, 2011). In firms where the central government has controlling ownership, it typically appoints executives from within the political hierarchy (Cao, Lemmon, Pan, Qian, & Tian, 2011). Corporate leaders who are elected to national political councils regularly participate in central government policy discussions (Li, Meng, & Zhang, 2006).[3] Through formal or informal meetings, corporate leaders in central government-linked firms learn about government priorities. As institutional linkage confers government endorsement for such firms and enhances their legitimacy (Baum & Oliver, 1991), government expectations of these firms to embrace government concerns are higher. Oliver and Holzinger (2008) observe that firms may comply with government policies in an exemplary manner in order to win government approval and the associated resource benefits. Firms with central government linkage can be particularly motivated to signal exemplary compliance through early adoption because doing so is consistent with their higher social standing. Conversely, given the heightened

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

expectations and scrutiny from the central government, delaying the issuance of CSR reports can invite challenges from the central government and threaten firms' legitimacy.

Large organizations typically bear the brunt because institutional pressures are rarely applied uniformly and large organizations attract more attention and scrutiny (Edelman, 1992). They are usually more central to their organizational field, hence more visible (Greenwood et al., 2011) and more easily monitored. Non-responsiveness can be more easily detected. Meanwhile, being more resourceful, they trigger higher expectations of compliance from the central government as well as the general public. In contrast, small firms may be excused (for failing to adopt more quickly) on the grounds of resource constraints. Hence,

Hypothesis 1a. On average, firms with institutional linkage to the central government and of large size will issue CSR reports more swiftly.

Firms with these attributes may also comply substantively through issuing high-quality reports. Prior studies suggest that organizations driven by external pressure to adopt policies may not implement them substantively (Meyer & Rowan, 1977; Westphal & Zajac, 1994). Such decoupling typically takes place when organizations lack the will or capability to implement the practices (Bromley & Powell, 2012; Fiss & Zajac, 2004; Weber, Davis, & Lounsbury, 2009). However, organizations subjected to heightened scrutiny from the institutional constituencies that value CSR reporting are likely to have both the will (motivation) and capability to engage in substantive reporting.

Central government linkage creates resource dependence and thus firms can be motivated to comply because they depend on the central government for resources and continuing privileges (Oliver, 1991). They are more sensitive to institutional pressure, being unwilling to risk losing critical resources by superficial implementation (Okhmatovskiy & David, 2012). Lounsbury (2001) found that, compared with private universities, public universities in the US complied more substantively, due to the government funding received, with government recycling expectations by creating full-time recycling coordinator positions (rather than part-time positions). In China, central government-controlled firms rely frequently on bureaucratic mandates to gain access to resources, whereas other firms are subject to market forces (Ferri & Liu, 2010). Where their top executives serve on national political councils, firms' access to resources is enhanced (Ma & Parish, 2006). Central government-linked firms are thus less willing to risk not satisfying this important stakeholder with low-quality reports. Moreover, institutional linkage with the central government provides opportunities to learn the details about preparing CSR reports and enhances implementation capability. For instance, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), a central government agency that oversees many large firms in which the central government has controlling ownership, provided training programs on CSR reporting for firms under its supervision.

Similarly, large firms can be more vulnerable to loss of legitimacy and image (than smaller firms), and hence are less willing to risk losing the approval from the central government and the general public by producing lower quality CSR reports. Not meeting government expectations can damage their legitimacy in the eyes of a broad range of stakeholders, as well as their ability to obtain resources later on (Dacin et al., 2007). The social movement literature found that large firms are much more likely to be targeted by activists, because large firms have more at stake in terms of loss of legitimacy and hence are more likely to concede to activist demands (Bartley & Child, 2011). Conversely, because they are more visible, large firms may benefit more in terms of positive stakeholder response and financial performance when they publicize their corporate social responsibilities (Wang & Qian, 2011). In addition, large firms have more resources to engage in CSR activities and prepare higher-quality reports to reflect their CSR efforts. Lastly, closer monitoring of large firms can also deter a merely symbolic response (e.g., Short & Toffel, 2010). Hence,

Hypothesis 1b. Among the firms that issue CSR reports, on average firms with institutional linkage to the central government and of large size will issue higher-quality CSR reports.

INSTITUTIONAL PRESSURE FROM LOCAL GOVERNMENT AND CSR REPORTING

Recent studies draw attention to the importance of geographic communities due to their proximity to organizations (Marquis, Lounsbury, & Greenwood, 2011). Local government is an important source of local institutional influence. Greenwood et al. (2010) found that the varying strengths of regionalism advocated by regional governments affected firm downsizing. Marquis, Guthrie, and Almandoz (2012) observed differences in the way state governments interpreted federal regulations to facilitate bank acquisitions. Here, we observe how the high priority given to GDP growth by some provincial governments exerted competing pressure on central government initiatives regarding CSR reporting.

Since the earlier days of China's market transition, the central government has initiated fiscal-sharing contracts with provincial governments. This has allowed provincial governments to benefit from local economic growth, thereby creating an incentive for them to promote growth (Qian & Weingast, 1997). In the decades that followed, GDP growth was almost the sole indicator that mattered and became a politically charged term, being the most important criterion for evaluating and promoting officials (Li & Zhou, 2005).

Although, due to the subsequent social tensions caused by the exclusive focus on GDP growth, the central government had shifted its focus to promote a more balanced development, as reflected in its CSR reporting guidelines, some provincial governments continued to prioritize local GDP growth for various reasons. For one thing, high GDP growth brought tangible benefits, such as more tax revenues. For another, it had become so deeply engrained in some local governments that the bureaucratic inertia continued to drive the local government agenda; after all, GDP growth is an easier measure of success compared with balanced growth. It should be noted that provinces that prioritized GDP growth were not necessarily the least developed; some of the most developed regions, such as Tianjin, Jiangsu, and Fujian, have continuously focused on high GDP growth rates.

This obsession with GDP growth in China represented a specific way of pursuing economic development, leading to maximization of short-term economic growth at the expense of social and environmental sustainability (Xu, 2007). It had several important features. First, GDP-oriented local governments were fixated on the numerical targets of GDP growth rates. For instance, the municipal government of Tianjin, an already prosperous city, proudly called its high GDP growth "Tianjin speed," a rate maintained for ten years despite the global economic recession.[4] In its five-year plan for 2006–10, it stated that "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."

Second, they typically favored means that could quickly boost local GDP. Given the relatively short tenure of government officials (whose average tenure in the provinces is reported to be three years [Li & Zhou, 2005; Wu, 2010]) and the importance of achieving GDP targets for promotion, provincial governments primarily encouraged large-scale investments in fixed assets, such as infrastructure, since these were more rapidly reflected in GDP figures. Given the weak environmental regulation in China, many of the large-scale investments included heavy polluting industries and construction projects that encroached on farmland and residential areas (Zhang, 2013). Third, GDP-focused provincial governments downplayed social and environmental issues. Given limited resources and government attention, a focus on GDP growth often led to a neglect of social objectives and environmental protection. For instance, two of the most economically developed neighboring provinces, Jiangsu and Zhejiang, which had a number of cultural and economic similarities, were vastly different in the volume of chemical wastes produced.[5] The high priority given to GDP in Jiangsu directly resulted in it neglecting efforts to reduce pollution.

With high priority given to GDP growth, local governments may simply have regarded CSR as a cost or distraction. A recent survey conducted by McKinsey on the value of CSR confirmed that most stakeholders perceive CSR as a long-term value creation tool for firms and social sustainability (*McKinsey Quarterly*, 2009). Empirical studies also gave support to the belief that CSR primarily contributed to firms' long-term financial performance, especially when the investments were substantial (Brammer & Millington, 2008).

Consequently, local government devotion to GDP growth may have slowed the response to central government guidelines on CSR reporting. Indeed firms may have perceived such guidelines as tangential or even at odds with the priorities of the provincial government. Firms are keener to comply with those priorities since provincial governments allocate resources such as land, infrastructure, and business opportunities, and are also responsible for giving permits, imposing and interpreting rules, inspecting compliance, levying taxes, and bestowing

[4] "People from Phoenix Television are impressed by Tianjin Speed," http://finance.ifeng.com/city/special/tianjinjixing/; http://www.bbc.com/news/business-19549139.

[5] Data were obtained through provincial statistic year books and are available with the authors.

legitimacy (Li, Meng, Wang, & Zhou, 2008). Prior research suggests that firms often adopt policies to demonstrate compliance with institutional constituencies who value such policies (Okhmatovskiy & David, 2012). In our case, as GDP-oriented local governments valued behavior that boosted GDP rather than CSR reporting, we would expect firms to adopt CSR reporting more slowly.

Hypothesis 2a. In provinces where local governments give higher priority to GDP growth, firms will issue CSR reports more slowly.

Moreover, local government's devotion to GDP growth may channel firms' attention toward short-term economic objectives and reduce their attention and resource commitment to CSR, thus lowering the quality of reporting, even if they did issue the reports. The growth imperative was instilled in firms as an important goal, which could channel firm attention to corporate activities that were consistent with the goal (Ocasio, 1997). For instance, in Sichuan province, the local government's commitment to GDP growth led to its endorsing some of the largest chemical plants in the world, including the copper smelting plant of Sichuan Hongda Company in 2010.[6] The Vice Minister of Environmental Protection, Mr. Yue Pan, pointed out that some provincial governments openly protected the big polluting firms in their jurisdiction in order to achieve their GDP growth targets.[7]

In contrast, governments without an exclusive focus on high GDP growth had room for considering social development. For example, the head of Guandong province Wang Yang started a "Happy Guangdong" campaign to emphasize social development. Evaluation of government officials included the criteria of sustainable development.[8] Mr. Wang expressed desire for the economic growth of Guangdong to be "people-oriented."[9] During his tenure, the provincial government urged firms several times to improve the treatment of workers. Hence, firm attention was channeled toward social responsibilities.

Based on an interview with the CEO of Rankins (RKS), an agency that evaluates CSR reports in China, the quality of reports is directly influenced by firms' actual CSR: if they have done a lot and have much to say, they issue a good report; otherwise, there is not enough content to produce a good report. In addition, substantive reports usually include specific targets for CSR and commitments to be monitored externally, and such details can have a real impact on firms' resource allocation and strategic priorities. Hence, local government's commitment to GDP growth may diminish firms' CSR report quality.

Hypothesis 2b. Among the firms that issue CSR reports, those in provinces where governments give higher priority to GDP growth will issue lower quality CSR reports.

DECOUPLING RESPONSE TO CONFLICTING INSTITUTIONAL PRESSURES

Next, we examine the response of highly scrutinized firms in provinces where local government prioritized GDP growth. The same attributes that attract more attention and scrutiny from the central government also expose the firms to stronger local government pressure, thus making them experience heightened tension in provinces with conflicting institutional pressures. Located in such provinces, firms with a central government linkage still have to comply with local government expectations since they depend heavily on local government for their daily operations, ranging from land use to safety inspections. Because the revenue and taxes they generate are shared between the central government and provincial governments, provincial governments are particularly keen for such firms to help meet local GDP growth targets. News reports often reveal the symbiotic relationship between these firms and provincial governments.[10] Therefore, these firms are pressured to align with the priorities of provincial governments in order to obtain support. In the case where corporate executives hold appointments on national political councils, they are typically recommended by the local government after quotas have been allocated by the central government to each province. Since the local government plays a significant role in the appointment and

[6] http://www.economist.com/blogs/analects/2012/07/environmental-activism.

[7] http://www.zhb.gov.cn/ztbd/rdzl/lyxp/200707/t20070704_106170.htm.

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

[9] http://english.people.com.cn/90001/90776/90882/7004721.html.

[10] "Hidden risks in the symbiotic relationship between provincial governments and central government-owned firms," *China Sankei News*, March 18, 2012.

re-appointment, corporate executives cannot ignore its priorities. In contrast, firms without a central government linkage are less likely to experience the tension from central government and local government pressure.

Large organizations also experience institutional complexity more intensely (Greenwood et al., 2011). While the central government puts more pressure on large firms to adopt new policies in order to influence other firms (Edelman, 1992), provincial governments are relying on large firms—because they generate more sales and tax revenue—to boost GDP growth rates. Provincial governments typically influence large firms by setting specific targets and quotas (Zhang, 2013). In addition, monitoring costs are lower for large firms. Historically, entrepreneurial firms in China stayed small in order to avoid attracting attention and "hassle" from provincial governments (Redding, 1993), and this is largely true today.

We propose that confronted with heightened institutional tension, highly scrutinized firms will engage in a specific form of decoupling that combines prompt CSR reporting and lower quality reports. Such a coping strategy reflects the firms' efforts to align *partially* with each of the conflicting demands in order to accommodate both. Research has found that in the presence of conflicting institutional pressures, some organizations—depending on their attributes—channel their attention to one constituency rather than the other (e.g., Greenwood et al., 2010). However, such a response is unlikely among highly exposed organizations, which are simultaneously exposed to heightened scrutiny from both, and cannot easily prioritize one at the expense of the other. Compliance with central government expectations may enhance firms' legitimacy and resource gains, but reduce alignment with the provincial government. Similarly, noncompliance with central government guidelines may allow firms to focus on provincial government priorities but invite criticism from the central government (George et al., 2006). Faced with these competing demands, firms view neither central nor local government approval as a sole source of legitimacy (Boxenbaum & Jonsson, 2008), and may be liberated from adhering to one or the other (Greenwood et al., 2011).

Highly exposed firms are likely to display rapid adoption to meet the central government's expectations, which can bolster faith in them as exemplary adherents. Social comparisons are often made to arrive at an assessment and to form impressions (Greve, 1995; Merton, 1968). A slow response can be ineffective in demonstrating alignment when compared with other firms, giving an impression of mediocre conformity. A swift response can symbolize compliance and delay further scrutiny, giving firms greater discretion to balance the competing demands from provincial governments. Westphal and Zajac (1998) found that firms that adopted long-term incentive plans symbolically were able to delay substantive governance reforms, suggesting that the institutional pressure for reform was alleviated after the adoption.

Prior research on decoupling has not paid explicit attention to the timing of adoption, but instead has emphasized adoption without substantive implementation as a key feature of decoupling (e.g., Westphal & Zajac, 2001). Indeed, some studies do not find the decoupling firms to be faster adopters. For instance, Marquis and Qian (2014) found that firms whose CSR reports were of lower quality (i.e., decoupling firms) were not significantly different from other firms in terms of issuing CSR reports. Tolbert and Zucker (1983) suggest that late adopters are more likely to decouple because their adoption is driven mainly by external institutional pressure, whereas early adopters tend to implement the practices substantively because they are driven by internal needs. A critical difference in our case is that prior research did not focus on the decoupling response of the highly exposed organizations. Some of these studies point out that the organizations were able to decouple because their attributes allowed them to avoid stringent monitoring (Bromley & Powell, 2012). As the highly exposed firms could not easily avoid monitoring, swift adoption becomes an important dimension of the decoupling response.

The other important dimension of the highly scrutinized firms' decoupling response is the reduced substantiveness in implementation, as reflected in their lower-quality CSR reports. In order to align with the provincial government's demands, executive attention is channeled to local government's GDP growth imperatives that require short-term economic efforts, and more resources are given to achieve GDP targets at the expense of CSR activities. To the extent that CSR reports reflect firms' CSR activities, the quality of their CSR reports can be compromised. High-quality reports provide specific details, targets, and procedures, such as third-party auditing of the reports, and thus can constrain firms' discretion and potentially hinder their efforts to abide by growth priorities. Hence, *Hypothesis 3. Among the firms that issue CSR reports, in provinces where local governments give high priority to GDP growth, firms with institutional linkage to the central government and of large size will exhibit a decoupling response, that is, a combination of early issuance and low-quality reports.*

METHODS

Data and Sample

Given that our goal is to examine CSR reporting after the issuance of guidelines on CSR reporting, our sample consists of all the public firms from 2008 to 2011 that are listed on Shenzhen or Shanghai Stock Exchanges. We employ multiple sources to construct our data set. We collected firms' CSR reports, which were self-identified as such and were either independent reports or appendices of annual reports. We obtained an independent rating agency (RKS)'s evaluation for the reports following prior research (Marquis & Qian, 2014) and cross-validated it with our own manual coding of the report quality. Other firm-level information mainly came from the China Stock Market and Accounting Research Database (CSMAR), which has been widely used in prior research (e.g., Wang & Qian, 2011). Information not available from the database was collected from firms' annual reports and supplemented with searches based on news media. For provincial-level data, we downloaded all provincial governments' Five Year Plans from their websites and also used statistics yearbooks published by the Chinese Statistics Bureau. Excluding missing information, our final full sample consists of 6,709 firm-year observations across four years, pertaining to 2,028 unique firms. Among these, 584 unique firms issued CSR reports, corresponding to 1,779 observations.

Measurement

Dependent variables. Given our theoretical interest in the two important dimensions of organizational response to institutional complexity, the speed of adoption and substantive implementation, i.e., report quality, we examined two dependent variables. First, to predict how quickly a firm issued a CSR report after the announcement of the guidelines, we used discrete-time event history analysis, and hence the dependent variable is the hazard rate of issuing a report. In any given year, each firm in the risk set faces some "risk" that it will issue a report. In our sample, 584 firms issued at least one report. The other firms had not issued any reports by the end of 2011, and were considered to be right-censored. We modeled issuance of reports as repeated events since 2007. Firms remained in the data set after issuing a report, since they were still "at risk" of issuing another.

The second dependent variable is the quality of CSR reports for firms that issued reports. We gauged the quality with the ratings published by RKS (Rankins CSR Ratings). A recent study by Marquis and Qian (2014) used the same measure and described it in detail. 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 evaluation, and technical evaluation, with over 70 subdimensions that consider the range of CSR activities and the extent of engagement in each. Among other items, the subdimensions included disclosure of metrics and third-party auditing of reports. This measure thus indicates the attention and resources devoted to CSR activities. The final score was a weighted average ranging from 0 to 100. To validate this measure, we counted the number of CSR items (such as corporate governance, employee welfare, product quality, contribution to the community) covered in a 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 CSR.[11] The correlation between the RKS' score and our measure of pages per item is 0.87, which gives us further confidence in the RKS measure.

In addition, in order to test our decoupling hypothesis directly, we constructed a third dependent variable to simultaneously capture the timing of issuance and report quality. It was coded as 1 if a firm issued its first report early (i.e., in 2008 or 2009—within the first two years after the announcement of the guidelines at the end of 2007) and its report quality was below the average of all firms in the observation year, and 0 otherwise. With this measure, we compare the decoupling response with other types of responses such as early issuance with high-quality (above average of all firms of a given year) reports, as well as late issuance (i.e., first report

[11] In our sample, 89.3% of CSR reports cover five to seven items. As an example of varying substantiveness, one firm covered one item with one third of a page, while another used more than seven pages to cover the same item.

issued in 2010 or 2011) with high- or low-quality reports.[12] These other types of responses were not considered as decoupling.

Independent variables. Regarding organizational attributes, *institutional linkage to the central government* is measured by two variables. The first is *central government ownership,* coded as 1 if the dominant shareholder of a firm was linked to the central government or its agencies and 0 otherwise.[13] The CSMAR database provided detailed information on the dominant shareholder (as well as the other nine largest shareholders). The second is *national political appointment*, coded as 1 if a firm's top executive (Chair or CEO)[14] served as a delegate to the National People's Congress (NPC) or the National Chinese People's Political Consultative Conference (CPPCC), which are the two most important national political councils (Zheng, Singh, & Mitchell, 2015). The NPC 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. *Firm size* is measured by the number of employees (natural logged).

To measure *priority given by the provincial governments to GDP growth*, we used a composite score created out of two measures based on content analysis of provincial governments' 11th Five-Year Plans, which were made in 2006 to guide government activities in the period of 2006–2010. With the strong legacy of a planned economy, governmental Five-Year Plans have always played a significant role in China (Wu, 2010). All the Five-Year Plans follow a similar structure and order of presentation, and there is a major section entitled "Main Objectives for Economic and Social Development in the Next Five Years." This section presents itemized objectives, with one paragraph describing one objective. Two independent native-speaker researchers familiar with the Chinese context coded this section to generate the measures. The Cohen's κ coefficient for the inter-coder reliability (0.94) suggests high agreement between the coders.

The first measure is the proportion of GDP growth-related economic objectives out of all objectives. The coders first read all the Five-Year Plans to come up with a list of key terms pertaining to GDP growth-related economic objectives and another list of key terms describing other objectives such as social and environmental objectives. The list of GDP growth-related economic objectives includes key terms reflecting activities that can boost local GDP growth rates in a short term, such as investment in infrastructure and fast growth in various industrial sectors. The list of other objectives includes key terms such as improving environment, achieving sustainable development, and reducing social inequalities. For each paragraph, the coders compared the number of key terms from the two lists to decide whether the objective described is primarily GDP growth related or not, and our measure is obtained by dividing the number of paragraphs that are primarily GDP growth related by the total number of paragraphs on government objectives.

The second measure is whether a provincial government's *approach* toward economic development is fixated on GDP growth targets or whether it also emphasizes achieving GDP growth through balanced and sustainable means. As described above, provincial governments that gave high priority to GDP growth usually pursue the numerical targets with little attention to social and environmental costs. In the Five-Year Plans, among the itemized objectives, the first objective in the list of itemized objectives is always about overall economic development. The coding for this measure is based on this first objective (paragraph). A provincial government is considered as focused only on GDP growth targets (coded as "1") if there was no mention of balanced or sustainable means besides the numerical targets in the entire first paragraph. For instance, the first paragraph for Anhui Province reflected such single-minded zeal for GDP growth:

> The economy will grow fast and well. The annual provincial GDP growth rate will be above 10%. By 2010, the local GDP will exceed one trillion RMB, per capita GDP will be more than 2.5 times that of the year 2000, and government revenues will reach 130 billion RMB with an annual increase of 15%. Overall investment in fixed assets will increase 18% annually, and reach a cumulative total of 2 trillion RMB in 5 years with the overall price level maintained the same.

In contrast, Hubei Province, which had a similarly low GDP as Anhui Province, drew attention to the

[12] For a robustness check, we excluded the firms that became listed in 2010, and results remained substantively the same.

[13] For these central government-owned firms, the average percentage of shares owned by the central government was 42%, while the second largest owner held an average of 9%. This suggests that it is more meaningful to measure central government ownership as a dummy variable.

[14] In China, the most powerful executive position in many firms is the chairman of the board, which is equivalent to the combined chairman/CEO position in the United States (Chen, Firth, Gao, & Rui, 2006). We hence consider the political appointment of Chair or CEO as providing important institutional linkage with state.

sustainable means to economic development besides the numerical targets in the first paragraph:

> On the basis of optimizing the structure of economy, improving efficiency, and reducing energy consumption, we will try to increase the GDP by above 10%, and double the GDP per capita of the year 2000 before schedule. . .The energy consumption for unit GDP of the whole province will be reduced by about 20%.

We then created a composite score of these two measures, and a high score indicated high GDP priority. The α coefficient for the two measures was 0.7, indicating an acceptable level of reliability given the small number of measures (Cortina, 1993).

Because Chinese firms were relatively concentrated geographically (Wang & Qian, 2011) and the headquarters played a critical role in decisions such as CSR reporting,[15] for the measure of priority given by the provincial government to GDP growth, the value for the province where a firm was headquartered was used as a proxy for local institutional pressure on the firm.

To test Hypothesis 3 on decoupling, we created the interaction terms using the firm attributes and the priority given to GDP by the provincial governments. Following Aiken and West (1991), we standardized the continuous variables (size and provincial government priority) in the interaction terms.

Control variables. We control for factors that can potentially affect issuance of reports or report quality. Prior studies suggest that economic incentives can influence firms' investment in CSR, and these incentives may also affect CSR disclosure because firms active in CSR may engage more in CSR reporting. Firms may use CSR as a marketing tool to enhance their competitive positioning (McWilliams & Siegel, 2000). We therefore control for *advertising intensity* (total expenditures on advertising or other sales-related activities divided by total assets). Firms in *monopolistic industries* may have less incentive to engage in CSR reporting due to the lack of competition. In our sample, monopoly industries include electric power, oil, water, and gas production and supply (Jin, 2005).

As described above, the stock exchange guidelines required certain firms to disclose CSR activities. The Shanghai Stock Exchange, for example, required that firms in the "corporate governance group," should be listed on foreign stock market exchanges and that financial firms issue CSR reports. The Shenzhen Stock Exchange required firms included in the 100 index to issue CSR reports.

We included a dummy variable *required disclosure*, coded as 1 if a firm fits the characteristics in a given year and 0 otherwise. Given the lack of punitive consequences, there was considerable variation in reporting, both among required firms and among non-required firms. We control for influence from global norms on CSR reporting through *foreign investment*, measured as the percentage of foreign shares in a firm (Chapple & Moon, 2005).

We control for the availability of slack resources through *firm profitability,* measured as return on assets (ROA) adjusted by industry mean, and *cash flow* (normalized). We include *firm age*, calculated as the number of years since they were listed on the stock market, as younger firms may favor new practices (Marquis & Qian, 2014). Since the firms listed on the two stock exchanges may be different, we include *listed on Shenzhen Stock Market* (coded as 1, and 0 for firms listed on Shanghai Stock Market). We control for provincial-level GDP per capita, which indicates the level of economic and market development. Prior research suggests that firms located in more developed provinces issued higher-quality reports (Marquis & Qian, 2014). Firms operating in *polluting industries* may perceive stronger pressure from the public, and therefore may engage more in CSR reporting. In our sample, polluting industries include chemicals, oil refineries, iron and steel, and cement. To control for the time trend, we included year dummy variables. Lastly, we include 12 industry dummies according to the China Securities Regulatory Commission (CSRC).

To predict issuance of reports, we control for the mimetic pressure (DiMaggio & Powell, 1983) by including the *percentage of firms in the focal firm's industry that have issued* a CSR report (excluding the focal firm), and *board interlocks*. The former was calculated with the 13 industry categories from the CSRC, as disclosure practices of industry peers can affect the focal firm (Pfarrer, Smith, Bartol, Khanin, & Zhang, 2008). The latter was coded as 1 if a firm had at least one board member serving on the board of any of the firms that had issued a report in the previous year. By transmitting information as well as peer pressure, board interlocks can facilitate practice adoption (e.g., Davis & Greve, 1997).

All independent and control variables that vary by year were lagged by one year to predict the issuance of a CSR report, report quality, and decoupling.

[15] Due to regional protectionism and underdeveloped national distribution systems, many companies are concentrated in one province (Wang & Qian, 2011). In addition, the tax sharing between central and provincial governments gives the latter an incentive to seek alignment from firms headquartered in the province.

Analysis

We used discrete-time event history analysis to examine how quickly publicly listed firms issued CSR reports (Box-Steffensmeier & Jones, 2004). The data structure consists of yearly spells with both time-invariant and time-variant variables.

For the quality of CSR reports, we conducted random-effects linear regression because our theoretical interest concerns primarily between-firm variance (Greene, 1993). Empirically, given the short panel, some of our independent variables are time-invariant, i.e., ownership structure. We also applied a Hausman test and it suggested that coefficients from fixed and random effects models were not statistically significant.[16] Since only firms that issued CSR reports were included in this analysis and non-issuing firms were not randomly distributed, we performed a two-stage Heckman selection model (Heckman, 1979). The first stage model was our discrete-time event history model (Model 6 in Table 2). The instrument variable was board interlocks. While board interlocks transmit mimetic pressure and facilitate adoption of a new practice (e.g., Davis & Greve, 1997), the issuing firms varied in their report quality, and being connected with them does not necessarily predict report quality. Empirically, this variable strongly predicted the issuance of CSR reports, but was not significantly related to report quality (the correlation between the two was only 0.05). The second-stage model predicting CSR report quality included the estimated rate (λ), which was the index function from the first-stage model, transformed into a hazard rate using the inverse Mills ratio (Van de Ven & Van Praag, 1981).

When modeling decoupling response as the dependent variable, we conducted random-effects logistic regression. Similarly, the λ was included in the regression to control for the fact that only firms that issued CSR reports were included in this analysis.

To test the dual conditions for decoupling, we included the interaction between firm attributes that increase scrutiny and the priority given to GDP by provincial governments in the models predicting speed and quality, respectively. Based on our argument, the interaction effects should not be significant when predicting speed, as the highly scrutinized firms will still display rapid issuance to meet the central government's heightened expectations of them. The interaction effects should be negative and significant when predicting report quality, as aligning with local government growth priorities can compromise the quality of implementation. Moreover, for a direct test of our decoupling argument, we included the interaction effects in the models predicting decoupling.[17] Here positive and significant interactions would mean that the highly exposed firms are more likely to decouple in provinces with high priority given to GDP by the local government.

Given that firms located in the same province may be more similar to one another and hence not independent, this could violate the assumption of independency of observations for standard estimation methods of regression analysis and lead to overstated statistical significance of the coefficient estimates, especially the province-level coefficient estimates (Moulton, 1990). We therefore cluster the standard errors by province (31 provinces) to account for the multilevel structure of our data (Primo, Jacobsmeier, & Milyo, 2007).

Results

Table 1a presents descriptives for analyzing the speed of issuance based on the whole sample, and Table 1b shows those for report quality, as well as for decoupling based on firms that issued reports. Table 2 presents the discrete-time repeated event history models predicting issuance of reports, and Table 3 presents the results on report quality. Tables 4 and 5 present the tests for Hypothesis 3 on decoupling. Two-tailed tests of significance were used. To guard against potential multicollinearity between variables, we computed for all the full models variance inflation factors (VIFs), which ranged from 1.33 to 2.62—well below the cutoff of 10 (Ryan, 1997).

[16] STATA 13 currently does not provide a Hausman test for panel data estimation with clustered standard errors (to account for province-level heterogeneity), and so we ran a Hausman test for our random and fixed effects models without clustered standard errors.

[17] Since we constructed the dependent variable of decoupling as dichotomous, information on the continuous variation in timing and quality may not be captured in this analysis. For a robustness check, we tested the dimension of timing with an event history model predicting the first issuance using the reduced sample of the firms that issued a CSR report (the dimension of quality was tested over this subsample in Tables 3 and 4). Our key results remained in this subsample as in Tables 2 and 4: central government ownership and large size had a positive and significant effect on issuance, $p < 0.001$, but the effect of national political appointment was positive and insignificant; in addition, such positive effects were not moderated by local government's GDP priority.

TABLE 1a
Means, Standard Deviations, Maximum, Minimum and Correlations for the Full Sample

Variables	Mean	*SD*	Max.	Min.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Advertising intensity (%)	0.04	0.05	0.69	0.00																
2. Monopolistic industries	0.04	0.20	1.00	0.00	−0.13*															
3. Required discloser	0.21	0.41	1.00	0.00	−0.02	0.04*														
4. Foreign investment (%)	0.02	0.07	0.76	0.00	0.05*	−0.03*	−0.05*													
5. Industry adjusted ROA	−0.006	0.08	0.37	−0.44	0.08*	0.01	0.12*	0.04*												
6. Cash flow (standardized)	0.00	1.05	43.14	−36.92	−0.01	−0.01	0.06*	0.01	0.01											
7. Firm age	10.84	5.14	21.00	1.00	−0.02	0.05*	0.04*	−0.16*	−0.15*	−0.03*										
8. Listed on Shenzhen Market	0.49	0.50	1.00	0.00	0.02	−0.05*	−0.22*	0.09*	0.08*	−0.02	−0.23*									
9. Polluting industries	0.29	0.46	1.00	0.00	−0.12*	−0.13*	−0.02*	0.04*	−0.09*	−0.02	−0.11*	0.04*								
10. Percentage of firms issuing (%)	0.25	0.11	0.93	0.06	−0.17*	0.14*	0.25*	−0.01	0.03*	0.13*	−0.02	−0.12*	−0.06*							
11. Board interlocks	0.08	0.28	1.00	0.00	0.01	0.04*	0.13*	−0.01	0.00	0.01	0.15*	−0.09*	−0.06*	0.05*						
12. GDP per capita	3.78	2.05	9.35	0.69	0.02	−0.06*	0.09*	0.05*	0.02	0.03*	0.01	−0.14*	−0.15*	0.07*	0.05*					
13. Provincial government GDP growth priority	−0.002	1.30	3.49	−1.48	−0.00	0.03*	−0.02	−0.04*	−0.06*	−0.02	0.00	−0.01	0.06*	−0.05*	−0.06*	−0.39*				
14. Central government ownership	0.18	0.38	1.00	0.00	−0.07*	0.09*	0.19*	−0.05*	−0.02*	0.03*	0.02	−0.09*	0.01	0.09*	0.07*	0.09*	−0.03*			
15. National political appointment	0.07	0.26	1.00	0.00	0.11*	−0.02	0.14*	0.01	0.07*	0.02	−0.05*	−0.01	−0.03*	0.01	0.04*	−0.03*	0.01	0.01		
16. Firm size (logged)	7.32	1.17	13.22	0.00	0.07*	−0.001	0.27*	0.01	0.001	0.06*	0.02	−0.11*	0.17*	0.11*	0.05*	−0.03*	0.04*	0.15*	0.12*	
17. Issuance of a CSR report	0.27	0.44	1.00	0.00	−0.01	0.03*	0.79*	−0.02	0.14*	0.05*	0.00	−0.15*	−0.01	0.24*	0.12*	0.10*	−0.05*	0.16*	0.13*	0.26*

Note: * $p < 0.05$, Number of observations = 6,709 (firms = 2,028).

In Table 2, Model 1 includes only control variables. In Models 2–4, we added the two independent variables for central government linkage and that for firm size one at a time, respectively. We then added in Model 5 our key independent variable: priority given to GDP by the provincial government. Model 6 presents the full model with all the main effects of the variables. The model contrast suggests a significant improvement in the overall model fit over the baseline model ($p < 0.001$). Table 3 follows the same sequence of presenting the models. In Table 4, Models 1–4 predict issuance, with the first three models adding interaction terms one at a time and the last model including all the three interaction terms, and Models 5–8 predict quality with the same sequence of adding interactions. In Table 5, Model 1 presents the main effects of variables, Models 2–4 add interactions one at a time, and Model 5 is the full model.

Hypothesis 1a and Hypothesis 1b argue for the positive effects of the firm attributes on issuance speed and report quality. In Model 6 of Table 2, the variables for central government linkage and firm size all have a positive and significant effect on issuance rates. Hypothesis 1a is supported. In Table 3, a similar pattern is found for report quality: when added alone, central government ownership, national political appointment, and firm size all have a positive effect on report quality ($p < 0.05$ or $p < 0.01$). In the full model, they remain significant. Hypothesis 1b also receives strong support.

Hypothesis 2a argues that firms issue CSR reports more slowly in provinces with higher priority given to GDP by the government. In Model 5 of Table 2, the effect of provincial government GDP priority is negative but not significant. Hypothesis 2a is thus not supported. Hypothesis 2b posits that firms in such provinces produce reports with lower quality. The effect of this variable is negative and significant in the full model ($p < 0.05$) (Table 3), providing strong support for Hypothesis 2b.

Hypothesis 3 argues that firms with the above attributes are more likely to decouple, i.e., issue CSR reports more rapidly but with lower quality in provinces with high local government GDP priority. In Table 4, Models 1–4 show that the interactions between the attributes and government GDP priority are not significant when predicting issuance, while Models 5–8 show significant and negative interactions for central government ownership ($p < 0.05$) and firm size when predicting report quality ($p < 0.01$). This means that the highly exposed firms are consistently faster in issuing reports, regardless of

TABLE 1b
Means, Standard Deviations, Maximum, Minimum and Correlations for the Firms that Issued CSR Reports

Variables	Mean	*SD*	Max.	Min.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Advertising intensity (%)	0.04	0.06	0.60	0.00															
2. Monopolistic industries	0.05	0.22	1.00	0.00	−0.14*														
3. Required discloser	0.75	0.44	1.00	0.00	−0.01	0.05*													
4. Foreign investment (%)	0.01	0.06	0.76	0.00	0.20*	−0.04	−0.15*												
5. Industry adjusted ROA	0.01	0.06	0.34	−0.25	0.15*	0.00	−0.02	0.00											
6. Cash flow (normalized)	0.10	2.03	43.14	−36.92	−0.01	−0.02	0.02	0.02	−0.01										
7. Firm age	10.84	4.73	21.00	1.00	0.03	0.04	0.19*	−0.15*	−0.04	−0.05*									
8. Listed on Shenzhen Market	0.37	0.48	1.00	0.00	0.05*	−0.09*	−0.35*	0.10*	0.16*	−0.03	0.03								
9. Polluting industries	0.28	0.45	1.00	0.00	−0.13*	−0.14*	−0.04	0.02	−0.11*	−0.03	−0.09*	0.11*							
10. GDP per capita	4.13	2.15	9.35	0.69	−0.01	−0.05*	0.04	0.02	−0.07*	0.04	−0.04	−0.24*	−0.20*						
11. Provincial government GDP growth priority	−0.11	1.24	3.49	−1.48	0.03	0.03	0.05	−0.01	−0.01	−0.03	0.04	0.03	0.05*	−0.40*					
12. Central government ownership	0.28	0.45	1.00	0.00	−0.10*	0.08*	0.16*	−0.06*	−0.11*	0.04	−0.04	−0.08*	0.00	0.20*	−0.05*				
13. National political appointment	0.13	0.34	1.00	0.00	0.20*	−0.04	0.07*	0.03	0.06*	0.02	−0.03	0.02	−0.03	−0.05*	0.06*	−0.03			
14. Firm size (logged)	7.83	1.23	13.22	3.91	0.05*	−0.08*	0.19*	0.01	−0.13*	0.07*	−0.09*	−0.06*	0.18*	0.09*	−0.01	0.18*	0.12*		
15. RKS report score	34.05	12.96	83.67	11.69	0.01	0.04	0.11*	0.00	−0.07*	0.12*	−0.17*	−0.07*	−0.02	0.22*	−0.16*	0.16*	0.09*	0.41*	
16. Decoupling response	0.60	0.49	1.00	0.00	−0.02	−0.04	−0.02	−0.01	0.00	−0.08*	0.14*	−0.05*	0.05*	−0.09*	0.06*	−0.13*	−0.05	−0.18*	−0.67*

Note: * $p < 0.05$, Number of observations = 1,779 (firms = 584).

provincial government GDP priority, but these firms (except firms where chairs hold national council appointment) are associated with lower report quality in provinces with high GDP priority. Table 5 presents a direct test of Hypothesis 3. The interaction between central government ownership and provincial government GDP growth priority is positive ($p < 0.05$, Model 5). This means that centrally owned firms are more likely to decouple if they are headquartered in provinces with higher GDP growth priority. Similarly, the interaction between firm size and provincial government priority is positive ($p < 0.05$ or $p < 0.10$, Models 4 and 5). Given that we have controlled for the learning effect through year dummies, the significant interactions suggest that in provinces with high government GDP growth priority, firms with such attributes are more likely to issue their first report early and their initial and subsequent reports remain low quality (compared with other firms in the observation year). However, the interaction between national political appointment and provincial government's growth priority is not significant, though with the expected positive sign. Hypothesis 3 thus receives support except for the attribute of national political appointment.

To illustrate the interaction effects, we plotted two graphs to show the predicted probability of decoupling when local government's GDP priority growth ranges from low to high (based on the results from Model 5, Table 5). Figure 2 compares central government-owned firms with those not controlled by the central government, and Figure 3 compares large and small firms (taken at one standard deviation above and below the mean). Both graphs showed a similar pattern in that firms with such attributes were less likely to decouple than their counterparts when the provincial government did not give high priority to GDP growth, but were much more likely to decouple than their counterparts when the provincial government did give high priority to GDP growth. In other words, in provinces with low government GDP growth priority, these firms were more likely to issue reports rapidly of higher quality than their counterparts in such provinces.

Regarding control variables, advertising intensity does not have a significant effect on the issuance of CSR reports or report quality (Tables 2 and 3). This suggests that, unlike Western markets, CSR-related practices may not be primarily driven by the marketing needs of firms in China's transitional economy. As expected, required disclosure has a positive effect on issuance and report quality ($p < 0.05$). Slack resources

TABLE 2
Discrete-Time Repeated Event History Models Predicting Chinese Publicly Listed Firms' Issuance of CSR Reports, 2008–2011

	(1)		(2)		(3)		(4)		(5)		(6)	
Advertising intensity (%)	−0.37	(3.46)	−0.03	(3.26)	−0.94	(3.58)	−1.14	(3.51)	−0.41	(3.47)	−1.30	(3.62)
Monopolistic industries	0.81	(1.24)	0.76	(1.22)	0.77	(1.28)	1.55	(1.30)	0.81	(1.25)	1.43	(1.28)
Required discloser	10.65*	(5.15)	10.53*	(4.84)	10.56*	(4.91)	10.40*	(4.46)	10.67*	(5.26)	10.31*	(4.40)
Foreign investment (%)	1.35	(1.15)	1.44	(1.19)	1.39	(1.18)	1.15	(1.23)	1.31	(1.15)	1.25	(1.30)
Industry adjusted ROA	7.08**	(2.17)	7.33**	(2.32)	6.98**	(2.19)	7.46**	(2.34)	6.95**	(2.13)	7.43**	(2.40)
Cash flow	0.17	(0.49)	0.17	(0.54)	0.16	(0.45)	0.14	(0.87)	0.16	(0.49)	0.14	(0.86)
Firm age	−0.04+	(0.02)	−0.04*	(0.02)	−0.03+	(0.02)	−0.05*	(0.02)	−0.04+	(0.02)	−0.05*	(0.02)
Listed on Shenzhen Stock Market	−0.08	(0.31)	−0.06	(0.31)	−0.06	(0.32)	0.08	(0.29)	−0.11	(0.32)	0.06	(0.30)
Polluting industries	0.58	(0.36)	0.57	(0.37)	0.62	(0.38)	0.44	(0.33)	0.58	(0.36)	0.48	(0.36)
Percentage of firms issuing (%)	6.66	(5.66)	6.73	(5.60)	6.33	(5.73)	8.25	(5.87)	6.63	(5.69)	7.89	(5.93)
Board interlocks	1.05*	(0.42)	0.98*	(0.40)	1.02*	(0.46)	0.97*	(0.40)	1.02*	(0.41)	0.86*	(0.39)
GDP per capita	0.03	(0.48)	0.01	(0.47)	0.04	(0.47)	0.04	(0.50)	−0.03	(0.51)	−0.02	(0.53)
Independent variables												
Central government ownership			0.89*	(0.41)							0.74+	(0.40)
National political appointment					1.29**	(0.45)					1.09*	(0.43)
Firm size							0.58**	(0.15)			0.54**	(0.15)
Provincial gov. GDP growth priority									−0.21	(0.34)	−0.21	(0.33)
Industry dummies	Yes		Yes		Yes		Yes		Yes		Yes	
Year dummies	Yes		Yes		Yes		Yes		Yes		Yes	
Constant	−10.54*	(4.32)	−10.70*	(4.26)	−10.53*	(4.36)	−15.67**	(4.67)	−10.37*	(4.38)	−15.29**	(4.67)
Log likelihood	−1,320.41		−1,317.20		−1,315.93		−1,303.78		−1,318.50		−1,295.93	
Observations	6,709		6,709		6,709		6,709		6,709		6,709	

Note: Adjusted by 31 province clusters. Standard errors in parentheses. + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, Two-tail tests of significance.

TABLE 3
Random-Effects Models Predicting Chinese Publicly Listed Firms' CSR Report Quality, 2008–2011

	(1)		(2)		(3)		(4)		(5)		(6)	
Advertising intensity (%)	0.84	(7.77)	1.64	(7.92)	−1.02	(7.26)	0.60	(7.87)	1.47	(8.05)	0.10	(7.85)
Monopolistic industries	−2.02	(3.97)	−2.23	(4.15)	−1.91	(3.97)	0.10	(4.24)	−2.01	(3.67)	−0.05	(4.05)
Required discloser	4.98*	(2.39)	5.06*	(2.39)	5.35*	(2.29)	4.94*	(2.18)	5.19*	(2.45)	5.62**	(2.12)
Foreign investment (%)	−7.36	(4.61)	−7.30	(4.70)	−7.33	(4.77)	−8.02+	(4.56)	−7.45	(4.68)	−7.97	(4.85)
Industry adjusted ROA	−3.96	(3.54)	−3.22	(3.55)	−3.96	(3.58)	−3.73	(3.19)	−3.88	(3.63)	−3.00	(3.34)
Cash flow	0.03	(0.02)	0.03	(0.02)	0.03	(0.02)	0.02	(0.02)	0.03	(0.02)	0.02	(0.02)
Firm age	−0.35**	(0.11)	−0.35**	(0.10)	−0.33**	(0.11)	−0.37**	(0.10)	−0.33**	(0.11)	−0.35**	(0.10)
Listed on Shenzhen Stock Market	0.39	(1.26)	0.34	(1.26)	0.39	(1.24)	0.63	(1.26)	0.26	(1.03)	0.43	(0.97)
Polluting industries	0.75	(0.88)	0.63	(0.90)	0.97	(0.86)	0.45	(0.84)	0.68	(0.81)	0.51	(0.76)
GDP per capita	0.85**	(0.16)	0.75**	(0.16)	0.87**	(0.16)	0.82**	(0.16)	0.58**	(0.21)	0.48*	(0.23)
Inverse mills ratio	1.11	(0.73)	1.20+	(0.73)	1.30+	(0.70)	1.32*	(0.67)	1.15	(0.74)	1.63*	(0.64)
Independent variables												
Central government ownership			2.32*	(1.01)							1.84+	(1.00)
National political appointment					3.75**	(0.93)					3.64**	(0.93)
Firm size							1.61**	(0.17)			1.54**	(0.16)
Provincial gov. GDP growth priority									−1.19+	(0.61)	−1.22*	(0.57)
Industry dummies	Yes		Yes		Yes		Yes		Yes		Yes	
Year dummies	Yes		Yes		Yes		Yes		Yes		Yes	
Constant	31.03**	(5.51)	30.43**	(5.34)	29.92**	(5.46)	17.95**	(5.44)	31.51**	(5.32)	17.36**	(5.00)
R^2	0.23		0.24		0.24		0.29		0.24		0.31	
Observations	1,779		1,779		1,779		1,779		1,779		1,779	

Note: Adjusted by 31 province clusters. Standard errors in parentheses. + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, Two-tail tests of significance.

TABLE 4
Random-Effects Models Predicting Chinese Listed Firms' Issuance of CSR Reports and Report Quality: Interaction Effects (2008–2011)

	Issuance of CSR Reports								CSR Report Quality							
	(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)	
Advertising intensity (%)	−1.29	(3.65)	−1.31	(3.66)	−1.33	(3.63)	−1.33	(3.68)	0.01	(7.71)	0.03	(7.71)	−0.12	(7.78)	−0.24	(7.55)
Monopolistic industries	1.42	(1.28)	1.44	(1.29)	1.43	(1.29)	1.42	(1.30)	0.46	(4.02)	−0.00	(4.02)	−0.07	(4.00)	0.39	(3.95)
Required discloser	10.31*	(4.40)	10.31*	(4.38)	10.32*	(4.41)	10.31*	(4.38)	5.45*	(2.14)	5.62**	(2.13)	5.62**	(2.09)	5.47**	(2.11)
Foreign investment (%)	1.25	(1.30)	1.25	(1.30)	1.24	(1.32)	1.24	(1.31)	−8.06+	(4.88)	−7.94	(4.85)	−7.49	(4.75)	−7.59	(4.78)
Industry adjusted ROA	7.44**	(2.41)	7.42**	(2.40)	7.42**	(2.41)	7.41**	(2.41)	−3.15	(3.37)	−3.01	(3.33)	−3.07	(3.33)	−3.20	(3.34)
Cash flow	0.14	(0.86)	0.14	(0.86)	0.14	(0.86)	0.14	(0.87)	0.02	(0.02)	0.02	(0.02)	0.02	(0.02)	0.02	(0.02)
Firm age	−0.05*	(0.02)	−0.05*	(0.02)	−0.05*	(0.02)	−0.05*	(0.02)	−0.33**	(0.09)	−0.35**	(0.10)	−0.34**	(0.10)	−0.32**	(0.09)
Listed on Shenzhen	0.06	(0.30)	0.06	(0.30)	0.07	(0.31)	0.06	(0.30)	0.57	(0.98)	0.42	(0.97)	0.44	(0.98)	0.56	(0.98)
Polluting industries	0.48	(0.36)	0.48	(0.36)	0.48	(0.36)	0.48	(0.36)	0.50	(0.76)	0.54	(0.75)	0.51	(0.76)	0.52	(0.75)
GDP per capita	−0.02	(0.52)	−0.02	(0.53)	−0.02	(0.53)	−0.02	(0.53)	0.49*	(0.23)	0.48*	(0.23)	0.46*	(0.23)	0.46+	(0.24)
Percentage of firms issuing (%)	7.88	(5.96)	7.87	(5.92)	7.89	(5.94)	7.87	(5.96)								
Board interlocks	0.87*	(0.39)	0.87*	(0.38)	0.86*	(0.39)	0.87*	(0.38)								
Inverse mills ratio									1.60*	(0.64)	1.63*	(0.64)	1.62*	(0.63)	1.60*	(0.63)
Independent variables																
Central gov. ownership	0.75+	(0.40)	0.75+	(0.40)	0.74+	(0.40)	0.75+	(0.40)	1.59+	(0.83)	1.85+	(1.00)	1.84+	(1.01)	1.62+	(0.86)
National political appointment	1.10**	(0.43)	1.08**	(0.40)	1.10*	(0.44)	1.09**	(0.40)	3.55**	(0.91)	3.64**	(0.93)	3.71**	(0.96)	3.63**	(0.95)
Firm size	0.54**	(0.15)	0.54**	(0.15)	0.53**	(0.14)	0.53**	(0.15)	1.54**	(0.16)	1.54**	(0.16)	1.41**	(0.14)	1.40**	(0.14)
Provincial gov. GDP growth priority	−0.23	(0.33)	−0.23	(0.34)	−0.21	(0.33)	−0.24	(0.35)	−0.79	(0.58)	−1.25*	(0.61)	−1.06+	(0.55)	−0.71	(0.62)
Priority*Central gov ownership	0.11	(0.34)					0.14	(0.35)	−2.05*	(0.87)					−1.78*	(0.87)
Priority* political appointment			0.19	(0.28)			0.22	(0.29)			0.34	(1.05)			0.17	(1.08)
Priority*firm size					−0.08	(0.12)	−0.09	(0.12)					−0.61**	(0.17)	−0.58**	(0.17)
Industry dummies	Yes		Yes		Yes		Yes		Yes		Yes		Yes		Yes	
Year dummies	Yes		Yes		Yes		Yes		Yes		Yes		Yes		Yes	
Constant	−15.30**	(4.67)	−15.27**	(4.68)	−15.24**	(4.73)	−15.21**	(4.76)	17.47**	(4.87)	17.36**	(5.00)	18.39**	(5.13)	18.44**	(5.03)
Log likelihood	−1,295.89		−1,295.84		−1,295.69		−1,295.51									
R^2									0.31		0.31		0.31		0.31	
Observations	6,709		6,709		6,709		6,709		1,779		1,779		1,779		1,779	

Note: Adjusted by 31 province clusters. Standard errors in parentheses. + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, Two-tail tests of significance.

TABLE 5
Random-Effects Models Predicting Chinese Publicly Listed Firms' Decoupling Response in CSR Reporting, 2008–2011

	(1)		(2)		(3)		(4)		(5)	
Advertising intensity (%)	2.67	(2.75)	2.71	(2.91)	2.64	(2.76)	2.75	(2.81)	2.74	(2.98)
Monopolistic industries	−0.81	(0.89)	−0.99	(0.91)	−0.79	(0.89)	−0.84	(0.89)	−0.98	(0.91)
Required discloser	−0.53	(1.00)	−0.40	(0.96)	−0.54	(0.98)	−0.56	(0.99)	−0.44	(0.94)
Foreign investment (%)	1.48	(1.58)	1.52	(1.59)	1.49	(1.58)	1.36	(1.58)	1.44	(1.56)
Industry adjusted ROA	−1.12	(1.76)	−0.97	(1.81)	−1.13	(1.75)	−1.11	(1.77)	−0.98	(1.77)
Cash flow	−0.17	(0.11)	−0.17	(0.12)	−0.16	(0.11)	−0.17	(0.11)	−0.17	(0.12)
Firm age	0.19**	(0.06)	0.19**	(0.06)	0.19**	(0.06)	0.19**	(0.06)	0.19**	(0.06)
Listed on Shenzhen Stock Market	−1.27**	(0.47)	−1.33**	(0.49)	−1.27**	(0.47)	−1.29**	(0.48)	−1.35**	(0.49)
Polluting industries	0.49	(0.31)	0.51	(0.33)	0.50	(0.32)	0.48	(0.31)	0.53	(0.33)
GDP per capita	−0.03	(0.19)	−0.03	(0.18)	−0.03	(0.19)	−0.02	(0.19)	−0.03	(0.18)
Inverse mills ratio	−0.11	(0.32)	−0.07	(0.30)	−0.11	(0.31)	−0.11	(0.31)	−0.09	(0.29)
Independent variables										
Central government ownership	−0.85**	(0.33)	−0.75*	(0.35)	−0.84*	(0.33)	−0.85**	(0.33)	−0.75*	(0.34)
National political appointment	−0.44	(0.30)	−0.39	(0.27)	−0.45	(0.31)	−0.45	(0.30)	−0.42	(0.29)
Firm size	−0.33*	(0.07)	−0.33*	(0.08)	−0.33**	(0.07)	−0.32*	(0.09)	−0.31*	(0.09)
Provincial gov. priority on GDP	0.13	(0.14)	−0.07	(0.16)	0.11	(0.14)	−0.07	(0.14)	−0.13	(0.16)
Priority*Central gov. ownership			0.89**	(0.33)					0.84*	(0.33)
Priority* political appointment					0.19	(0.29)			0.39	(0.24)
Priority*firm size							0.18*	(0.09)	0.16+	(0.10)
Industry dummies	Yes		Yes		Yes		Yes		Yes	
Year dummies	Yes		Yes		Yes		Yes		Yes	
Constant	1.81	(1.35)	1.68	(1.32)	1.80	(1.33)	1.73	(1.51)	1.61	(1.44)
Log likelihood	−883.44		−881.15		−883.36		−881.82		−879.75	
Observations	1,779		1,779		1,779		1,779		1,779	

Notes: Adjusted by 31 province clusters. Standard errors in parentheses. + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, Two-tail tests of significance.

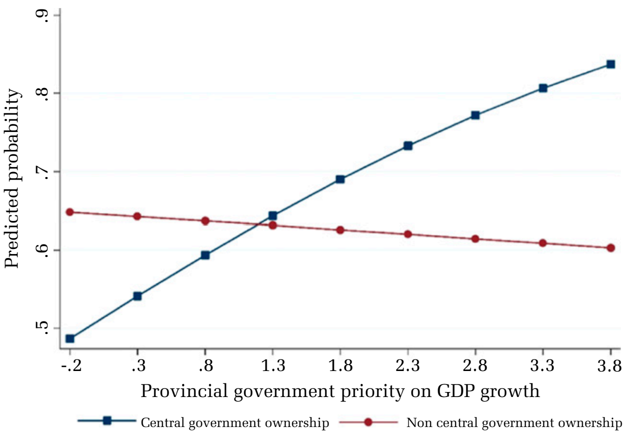
(industry adjusted ROA) have a positive effect on issuance ($p < 0.01$), but not on report quality. Consistent with Marquis and Qian (2014), older firms are less likely to issue reports, and are associated with reports of lower quality ($p < 0.1$ or $p < 0.01$). Firms with board interlocks with those that have already issued reports are more likely to issue reports ($p < 0.05$), confirming the mimetic mechanism of isomorphism (DiMaggio & Powell, 1983). In addition, not shown in the Table 3, the year dummies have a positive effect on report quality, suggesting a learning effect ($p < 0.01$).

Further Analysis

We conducted further tests to validate the impact of the conflicting institutional pressures on firms' CSR reporting. Given that the lack of resources in poor provinces may explain the lack of CSR reporting of firms, in addition to controlling for the level of economic development through GDP per capita in our models, we examined a subsample of relatively well-developed provinces (GDP per capita above the median of all provinces each year). In this subsample, there is still substantial variation in provincial government's GDP priority.[18] While our research design has the advantage of observing the impact of central government pressure in an almost a greenfield setting, the relatively short time period we examined did not allow us to fully address the heterogeneity across the firms and provinces. Given that provincial government priorities are largely bound by their Five-Year Plans and can be quite inert (our independent variables were measured from 2007 to 2010, which all fell under the 11th Five-Year Plans), we investigated the subsequent Five-Year Plans to identify priority change (the 12th Five-Year Plans, made in 2011 to

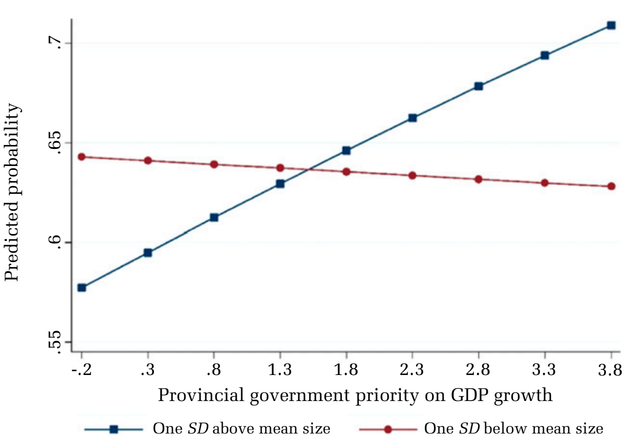
[18] The results are available from the authors.

FIGURE 2
The Effect of Central Government Ownership on the Probability of Decoupling in CSR Reporting



guide government activities between 2011 and 2015). We applied the same coding rules and collected the 2012 CSR report quality scores rated by the same source, RKS (Rankins). Regression analyses based on the five years of data (four years under the 11th Five-Year Plans and one year under the 12th) showed consistent results. Specifically, we noted that in four provinces that experienced a rather substantial increase in GDP priority from 2010 to 2011 (Hebei, Heilongjiang, Tibet, and Gansu), the average score of CSR reports issued by the same firms decreased from 41.58 in 2011 to 40.74 in 2012 (a decrease of roughly 1 point). In contrast, the average score of CSR reports increased by 2.09 points from 2011 to 2012 due to a general learning effect. These results strengthened

FIGURE 3
The Effect of Firm Size on the Probability of Decoupling in CSR Reporting



the negative impact on CSR report quality of the high priority given to GDP by provincial government.

DISCUSSION AND CONCLUSION

We propose a framework in which CSR disclosure is viewed as an organizational response to institutional complexity that stems from the conflicting demands of the central government and provincial governments. Our analysis, in the context of Chinese listed firms' CSR reporting, supports this framework: we found that, unintended by the central government guidelines, firms located in provinces that gave high priority to GDP growth issued poorer-quality reports. Whereas firms with a central government linkage and of large size issued reports faster and of higher quality in provinces with low priority given to GDP growth, similar firms in provinces with high priority given GDP growth exhibited a specific form of decoupling—issuing reports earlier but of lower quality.

Contrary to our prediction, we did not find that firms in provinces with high priority given to GDP growth issued reports more slowly. This may reflect the heterogeneity in the timing of issuance by highly scrutinized firms and less scrutinized firms. While GDP priority might lead less exposed firms to perceive less urgency to display symbolic conformity and thus to issue reports more slowly, highly exposed firms (i.e., central government-linked firms and large firms) experienced institutional conflict between the central government and the local government and engaged in decoupling (i.e., issued reports even more rapidly). Consequently, on average there was little difference in the timing of issuance in provinces where GDP was given high priority versus those without this priority.

This study has some limitations. First, given our emphasis on the institutional complexity arising from the state, we have not paid sufficient attention to the influence of mature markets (Christmann & Taylor, 2001; Raynard, Lounsbury, & Greenwood, 2013). While we have controlled for foreign investment, data limitation prevents us from examining the influence of firms' experience with mature markets such as that through exports or investment. Second, while China's transitional economy provides an ideal setting for testing our framework, the particularities of the setting should be recognized. The strong role of government in the economy and relatively weak market institutions may render our findings more applicable to transitional and emerging economies. Parallels with the provincial priority given to short-term GDP growth may not be readily found in contemporary US and Western European countries. Indeed, our findings about how local government hinders firms' CSR reporting may not be generalizable to mature markets where local governments are not single-mindedly focused on short-term economic growth. Our study thus suggests that the framework can be most powerfully applied when we situate each institutional pressure and logic in specific contexts, as the demands of institutional constituencies are contextualized. Comparative research is needed to understand how institutional pressures and logics can have different meanings and trigger different organizational responses in other settings. Third, given the relatively short time period of our study, we are limited in our ability to identify the impact of the change in the provincial government priority on firm response. Future research with such a design is needed to further establish the causal impact of institutional conflicts on firm response.

Nevertheless, our study contributes to research on CSR disclosure by introducing a new theoretical framework which draws attention to the coexistence of conflicting government pressures. While prior studies have emphasized how state regulation and monitoring can pressure firms to disclose information (Marquis & Qian, 2014; Reid & Toffel, 2009), our study is the first to identify the forces of resistance in the state hierarchy. Since the priority given by provincial governments to GDP growth does not explicitly proscribe corporate disclosure, analytical tools that focus on the incentives and disincentives provided by state regulations can overlook such institutional influence. Our study suggests that regulations on CSR disclosure can trigger competing pressures, i.e., between central government expectations and provincial government targets, which impair the quality of CSR disclosure, especially for firms exposed to heightened tension from such conflict.

Since our framework emphasizes the competing pressures from the central government and local governments, we examine the institutional linkage to the central government separately rather than linkage to the state in general, as the central government linkage channels influence from the central government and exposes firms uniquely to heightened tension from the central government and local government demands. Not recognizing these competing goals, prior studies tend to examine state ownership or connections as a homogenous category. For instance, the fact that Marquis and Qian (2014) found no significant main effect of state ownership (whereas we found a strong positive effect of central government ownership) may be due to the different influences of central and provincial government ownership.[19] More recent studies have noted the different performance outcomes of political connections with central vs. local government (Zheng et al., 2015), but have not considered how conflicting goals of different levels of government may impact firms. Our study uncovers a corporate decoupling response as an important consequence. Such a specific form of decoupling by generally well-regarded firms was not discerned in prior research on Chinese firms' CSR reporting (Marquis & Qian, 2014) because local government's competing goals were not taken into account.

By studying the consequences of regulation on CSR reporting, our study contributes to a better understanding of how regulatory pressure impacts firm behavior. Despite the insight into the normative influence of government regulations (Dobbin & Sutton, 1998; Edelman, 1992), the literature has not considered how the fragmentation of the state can complicate such influence. A few recent studies have noted the different interests and goals of political parties, and the impact on firm strategies (Kozhikode & Li, 2012; Zhu & Chung, 2014). In the context of CSR activities in China, Raynard et al. (2013) showed how different political legacies that prevailed in different regions could shape firm attention to different areas of CSR. But whether and how the intended impact of government regulation can be realized, given the fragmentation of the state, has been neglected. Our findings on how the conflict within the state hierarchy hindered firms' compliance with central government regulation shed light on such a process. Fragmentation of government suggests that organizations have to respond to different institutional pressures from the state. Our framework, which views the impact of regulations as firm responses to conflicting government pressures, helps to predict unintended consequences. Recognizing the institutional influence of local government also helps

[19] In a separate analysis, we included central government ownership, provincial government ownership (private ownership as omitted category) in the analysis, and found that provincial government ownership did not differ significantly from private ownership in its effect on the speed and quality of CSR reporting. In addition, since the linkage to provincial governments does not expose firms to heightened institutional tension between central and local governments the same way as does central government linkage, we did not find the decoupling response in provincial government-linked firms.

to explain why organizations that may be most receptive to central government regulations end up compromising their compliance—because of the need to balance the conflicting demands from the fragmented state.

Lastly, our study makes an important contribution to the growing research on organizational responses to institutional complexity (Greenwood et al., 2011) by identifying a specific form of decoupling response. As summarized in Greenwood and colleagues (2011: 350–351), "Decoupling, although an important and well-recognized organizational response, deserves further and closer attention in order to isolate its different forms and outcomes." Prior research sees decoupling as an organizational response to tension and conflict (George et al., 2006). However, depending on the source of the tension and the attributes of the organization, the specific form of decoupling may be different. Although the decoupling response we identify is a form of compromising strategies described by Oliver (1991), it has not been explicitly theorized or measured. Our study reveals important differences with the classic form of decoupling in terms of the source of tension, form, and organizational attributes. The different source of tension, i.e., institutional complexity, also explains the differences in the form and associated attributes.

Research on the classic form of decoupling assumes a dominant institutional pressure; hence, the tension arises between the need to comply with it and the need for internal discretion (Bromley & Powell, 2012; Meyer & Rowan, 1977). The key feature of decoupling is adoption of formal policies without substantive implementation. Speedy adoption is usually not part of the decoupling response, because it is often the organizations with an internal functional need or interest for the new policy that adopt early (Tolbert & Zucker, 1983). These organizations do not face the conflict between the need for external legitimacy and that for internal efficiency and therefore have no need for decoupling. In addition, symbolic adopters and substantive implementers tend to be firms with different attributes (e.g., Marquis & Qian, 2014). It is usually the more peripheral or "bad" organizations that decouple, i.e., organizations that do not have the resources/capabilities or will for implementation (Bromley & Powell, 2012).

In contrast, the decoupling response we identify addresses a different source of conflict: institutional complexity. In order to gain legitimacy in the eyes of competing institutional constituencies, organizations need to accommodate their conflicting demands. Hence, the early timing of policy adoption and the reduced substantiveness of implementation are both utilized. Speedy adoption is important because it displays conformity ahead of others, and may alleviate close scrutiny from one institutional pressure and afford discretion to attend to the other. Interestingly, the organizational attributes associated with this form of decoupling are those usually associated with power, resources, and social prestige. Attributes associated with prominence increase exposure and scrutiny. Firms with these same attributes can both tightly couple (issue CSR reports rapidly with high quality) or decouple depending on the presence of institutional complexity. Systematically compromised report quality by otherwise substantive implementers reveals the impact of the conflicting institutional pressure from the provincial government. Our study thus suggests attributes that increase scrutiny and institutional complexity to be dual conditions for such a specific form of decoupling to occur.

By demonstrating how institutional complexity shapes complex organizational responses, our study has important implications for research on practice diffusion. The classic view suggests that early adopters tend to implement more substantively, whereas late adopters mimic others for legitimacy and conform symbolically (e.g., Tolbert & Zucker, 1983; Westphal & Zajac, 1994). Our study indicates a different diffusion trajectory in conditions of institutional complexity: organizations that experience magnified institutional pressures tend to lead the practice adoption but their implementation of the practice can be less substantive. Decoupling by these prominent early adopters may reduce the substantiveness of practice implementation over time, as other organizations emulate the early adopters in subsequent practice diffusion.

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