Navigational space for the absence of sustainability assurance in China

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Abstract

Purpose This case study presents a critical analysis of why and how corporate managers in China are reluctant to adopt sustainability reporting assurance (SRA) provided by externally independent third-party assurers, despite the fact that it is acknowledged as a value-adding activity globally.

Design/methodology/approach A longitudinal fieldwork case study was conducted from 2014 to 2019 in a Chinese central state-owned enterprise (CSOE), a pioneer in sustainability reporting practice since the mid-2000s, to collect first-hand empirical data on managerial perceptions of the adoption of external SRA. Semi-structured interviews with 25 managers involved in sustainability (reporting) practice were conducted. The interview data were triangulated with an analysis of archival documents and board meeting minutes pertaining to the undertakings of sustainability practices in the case study organization.

Findings Our empirical analysis suggests that while managers recognize the benefits of adopting external SRA in enhancing the legitimacy of sustainability accountability, they oppose SRA because of their deep-rooted allegiance to the dominant logic of sociopolitical stability in China. SRA is envisaged to risk the stability of the socialist ideology with which CSOEs are imbued. Therefore, any transformational approach to accepting a novel (foreign) practice must be molded to gain control and autonomy, thereby maintain the hegemony of stability logic. Instead of disregarding external verification, managers of our case SOE appear to harness sustainability reporting as a navigational space to engage in internally crafted alternative manners in order to resist the rationality of SRA.

Originality/value The empirical analysis presents a nuanced explanation as to why internal managers have hitherto been reluctant to embrace the embedding of independent assurance into the sustainability reporting process. Our prolonged fieldwork provides ample context-specific, intra-organizational evidence regarding the absence of SRA in Chinese CSOEs, which warrants more attention given their considerable presence in the global economy. In addition, the empirical analysis contributes to our understanding of the managerial capture of sustainability issues in a specific context of state capitalism and how organizations and individuals in an authoritarian regime interpret and respond to novel discourses derived from distinct institutional settings.

Navigational Space for the Absence of Sustainability Assurance in China

Abstract

Purpose - This case study presents a critical analysis of why and how corporate managers are reluctant to adopt sustainability reporting assurance (SRA) provided by externally independent third-party assurers in China, even though it has been acknowledged as a value-adding activity globally.

Design/methodology/approach - To collect first-hand empirical data on managerial perceptions of the adoption of external SRA, a longitudinal case study was conducted from 2014 to 2019 in a Chinese central state-owned enterprise (CSOE), a pinner in sustainability reporting practice from the mid-2000s. Semi-structured interviews were conducted with 25 managers involved in sustainability (reporting) practices. The interview data is triangulated with an analysis of archival documents and board meeting minutes regarding the undertakings of sustainability practices in the case study CSOE.

Findings - The managers recognise the benefits of adopting external SRA in enhancing the legitimacy of sustainability accountability. They resist SRA because of their deep-rooted allegiance to the dominant logic of socio-political stability in China. SRA is seen as a risk to the stability of the socialist ideology with which CSOEs are imbued. To gain control and autonomy, any transformational approaches to accepting a novel practice must be moulded in a way that the hegemony of stability logic can maintain. Managers harness sustainability reporting as a navigational space by which to resist the rationality of external SRA through engaging in internally crafted alternative manners.

Originality/value - The empirical analysis presents a nuanced explanation as to why internal managers have hitherto been reluctant to embrace the embedding of independent assurance into sustainability reporting process. The prolonged fieldwork provides ample context-specific, intra-organisational evidence regarding the absence of SRA in Chinese CSOEs that warrant more attention given their considerable presence in the global economy. Also, the empirical analysis extends our understanding of the managerial capture of sustainability issues in a specific context of a state capitalism and how organisations and individuals in an authoritarian regime interpret and respond to novel discourses derived from distinct institutional settings.

Key Words: Sustainability Reporting Assurance; Socio-Political Stability Logic; Navigational Space; Resistance to Assurance, Case Study; Chinese CSOEs.

1. Introduction

This paper seeks to offer empirical evidence regarding the reluctance of the Chinese central state-owned enterprises (CSOEs) to accept the integration of external assurance into its sustainability reporting processes. Studies have acknowledged the critical role of SOEs' response to the global demand for sustainability practices (Bruton *et al.,* 2014; Lin *et al*., 2020; Hsu *et al*., forthcoming). However, the current sustainability practices and the reporting mechanisms are but merely utilised as an impression and reputational risk management tool attempting to maintain a legitimate status and thus continue profitability-focused strategic objectives (Unerman and Chapman, 2014; Bebbington *et al*., 2008; Deegan, 2019). It barely drives organisational change towards more socially and environmentally responsible and sustainable manners. To address the criticisms, corporations have begun employing an independent sustainability assurance provided by professional bodies or accounting firms (Channuntapipat *et al.,* 2019; Martínez-Ferrero and García-Sánchez, 2017a). Sustainability reporting assurance (SRA) offered by external independent third-party assurers serves as a credential for the materiality of sustainability reports and thereby re-construct more trustworthy relationships with stakeholders (Boiral, 2013, Clarkson et al., 2019, Junior and Best, 2017).

Despite that SRA service has incrementally gained momentum in practice (Channuntapipat et al., 2020, Clarkson et al., 2019), more recent studies have reported the global stagnation in SRA services and the absence of SRA practices despite the formal adoption has been taken place (Farooq and De Villiers, 2017). This is contradictory to the recent KPMG's corporate responsibility reporting survey, which indicates that 71% of the world's 250 largest companies have integrated SRA into their sustainability reporting processes (KPMG, 2020, p. 24). The empirical and theoretical understandings of the absence of SRA remain scarce in existing literature. Our study seeks to contribute to this literature gap, by offering empirical evidence to augment our understanding of the absence of SRA in China, the largest emerging country and the upcoming world's largest economy.

In the context of China, the concepts of corporate social responsibility (CSR) and sustainability were 'transplanted' from the Western context around the late-1990s, which lead to various CSR/sustainability-focused initiatives in the Chinese corporate world (Situ et al., 2020, Parsa et al., 2021). In particular, the diffusion of sustainability-related practices (e.g., sustainability reporting and relevant governance mechanisms) in China was reinforced through continual advocacy of various key stakeholders, such as political leaders (e.g., President and Prime Minister), government authorities, such as Ministries of Commence, Social Security, and Environmental

Protection; and State-owned Asset Supervision and Administration Commission (SASAC), international and national professional bodies (e.g., Global Reporting Initiative, and United Nation's Global Compact), and industrial associations, as well as the stock markets (i.e., Shanghai and Shenzhen Stock Exchanges) (Marquis and Qian, 2014, Li and Lu, 2020).

It is noteworthy that from the mid-2000s a rapidly growing number of Chinese corporations, especially CSOEs, have embarked on sustainability reporting, regardless of their international presence with other multinational peers having embraced SRA for years, around four percent of Chinese CSR and sustainability reporting corporations have adopted external SRA services (Du and Gray, 2013; KPMG, 2017; Liao *et al.,* 2018). For example, a handful of Chinese CSOEs, such as PetroChina and COSCO, adopted external SRA in sustainability reports from 2011, but the vast majority of CSOEs remain reluctant to embrace SRA. Engaging with recent research on sustainability reporting practices in emerging economies, this fieldwork case study in a Chinese CSOE attempts to offer some answers to the following questions:

    i. How and why do internal managers counter or perhaps resist demands to adopt external SRA which has been widely adopted by global peers? And

    ii. What are the mechanisms managers created to maintain the allegiance to the dominant socio-political logic?

To this end, a prolonged case study was conducted in a Chinese CSOE whose senior management in the mid-2000s officially pledged to invite external professionals to scrutinise their sustainability reporting process but has still yet to do this till recently. During the fieldwork, the decision-making process about sustainability (reporting) practices was observed, and empirical data was collected through interviews with 25 managers who were involved in decision-making about the practice of accountability for sustainability. In addition, analysis of archival documents about sustainability-related practices undertaken in the case organisation over the past decade was conducted. We develop a theoretical bricolage that allows us to offer a nuanced explanation for why (i.e., reasons and concerns) and how (i.e., conditions and motivations) executives inside a Chinese CSOE resist to external SRA services.

Our study provides two major contributions to sustainability accounting and accountability literature. Firstly, we provide an insight on the intra-organisational dynamics that hinder the adoption and development of SRA for sustainability reporting in the Chinese CSOEs (Tilt, 2018, Yang et al., 2015). Understanding the development of sustainability practices in SOEs is important

because they account for large part of social and economic life in both developed and developing countries, such as China, and appear to have more capacity and motivations to deal with sustainability issues through intensified social and environmental engagements (Hsu *et al*., forthcoming). However, the absence of SRA (external scrutiny) in SOEs' sustainability accountability practice leads us to suspect their real commitment to sustainable development. Our theoretical conceptualisation enables us to unpack the hidden resistance to SRA in the Chinese context. Overall, while SRA has been acknowledged as a value-adding activity globally, the Chinese CSOE of our case study remains faithful to the deep-rooted socio-political stability logic by subtly resisting the demand for externally sourced SRA.

Secondly, the empirical analysis enriches our understanding of the relevant role played by settled institutional logics and organisational embeddedness of sustainability-related demands and associated practices in a specific organisation (Lepori and Montauti, 2020, Pache and Santos, 2013, Herremans et al., 2009). In the Chinese institutional setting, the adoption of SRA practices, while being recognised as substantiating the sustainability reporting process, is envisaged as a redundant, unrealistic change to the self-serving (and self-disciplinary) accountability mechanism established in a CSOE. Consistent with their allegiance with the prevailing logic of stability in an authoritarian regime, internal actors (i.e., managers) were able to insist on refusing the incorporation of SRA into the sustainability reporting process in our case study organisation. Moreover, our paper contributes by providing practical implication to practitioner policy makers and standards setters, on the dynamics behind the non-adoption of social auditing and assurance and broader sustainability-related initiatives (Yang et al., 2015, Belal et al., 2013, Tilt, 2018).

In the next section, we review the existing literature on SRA to identify a gap in previous studies regarding the corporate reluctance to embed SRA practice into sustainability reporting processes. This is followed by a detailed description of the theoretical framework that we employ to help make sense of the empirical evidence. We then explain how the qualitative fieldwork was conducted in the case study CSOE to collect relevant data about sustainability reporting and external assurance. After that, the analysis of empirical findings is presented, and a discussion and concluding remarks are provided.

2. Research Background and Relevant Literature

2.1. The rise of sustainability practices in SOEs

There is a growing academic attention to the sustainability-related activities such as social and environmental practices, reporting, and auditing undertaken in SOEs (Hsu *et al.,* forthcoming; Li

and Belal, 2018; Situ *et al*., 2021; Marquis *et al.,* 2017). In this paper, we focus on SOEs because the last decade has witnessed a remarkable resurgence of SOEs[1] across the world, and SOEs remain to underpin the social and economic development across the globe (Bruton *et al.,* 2014; Lin *et al*., 2020; Hsu *et al*., forthcoming). More importantly, recent literature recognises that SOEs exhibit more capacity and motivation to engaging in social and environmental sustainability activities (e.g., CSR reporting, environmental management systems, and sustainability policies), relative to privately-owned firms (Hsu *et al.,* forthcoming; Marquis *et al.,* 2017). Regarding Chinese SOEs, it is unclear whether their engagement in CSR and sustainability practices is genuinely aimed at maximising social welfare due to their public ownership, or merely a means employed by "politician" executives to improve their personal reputation and career promotion in the socialist political system (Li and Lu, 2020; Luo *et al*., 2016; Marquis and Qian, 2014).

Despite the contentious views on the motives of SOEs engaging in sustainability activities, previous studies underscore the interactive effects of institutional, organisational, and individual characteristics in the initiation of sustainability accounting and reporting practices in Chinese SOEs (see Li and Belal, 2018; Situ *et al*., 2021; Zhao and Patten, 2016). From the early-2000s, the central government of China has declared the significance of CSR and sustainable development; and the government and its affiliates are conceived as the key instigators to induce companies to embark on sustainability practices. Such declaration becomes a subtle mechanism through which the government provides a pressure for managers to integrate a sustainable development agenda in the organizational practices. Even though the sustainability agenda is not exercise coercively, the strong governmental influence on CSOEs appear to trigger various initiatives to disseminate CSR and sustainability principles in China (Yang et al., 2015, Zhao and Patten, 2016). The government domination in CSOEs' sustainability practices manifests in a form of invisible or internalised form of power (Temper et al., 2018). Despite the transformation of CSOEs' corporate governance as a result of the 1980s reform[2], SOEs' operation and decision-making are still under the close control of the government. The Chinese government holds more than 90% ownership of the SOEs (Jiang and Kim, 2020). The appointment of senior managers in SOEs is at the government discretion. Until 2017, there are 75 Chinese CSOEs in the Fortune Global 500 and

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[1] Globally, SOEs contribute to more than 10% of GDP, and more than 20% of global equity market value. More than 10% of world's largest companies are SOEs which generate total sales of more than 3.6 trillion dollars in 2011. SOEs exist across the world, from Africa, Asia and Latin America to North America and Europe (Kowalski *et al.,* 2013).

[2] For a comprehensive review of the three major phases of reform in Chinese SOEs and their socio-political and economic significance in China, please refer to Lin *et al*., (2020). The reforms have led to some improvement of corporate governance mechanisms in SOEs incorporate modern corporate governance mechanisms (e.g., Board of Directors, various managerial committees, etc.).

more than 150,000 SOEs which are governed by provincial or municipal-level government agencies across the Chinese territory (Lin *et al*., 2020).

Li and Belal (2018) provide further evidence that senior executives/managers play a significant role in commencing the initiation of a stand-alone CSR reporting in a Chinese CSOE. They argue that both global and domestic institutional factors have induced the political sensitivity and capability of the internal actors to concur with central government's agenda to drive CSR reporting decisions in SOEs (Li and Belal, 2018). More recently, to imbue political ideology into the organisation, and to induce managers' consensus and habitus in promoting environmental reporting practices, the central government exercises the symbolic power of regulator, shareholder, and appointer of CSOE executives (Situ *et al.,* 2021). The discourse analysis of seven Chinese firms shows that corporations, including CSOEs and private companies, has no option but to respond to the government's politically infused environmentalism ideology to accrue symbolic capital, social position, and ultimately more economic capital in the "state capitalism" (Situ *at al*., 2021, p. 3). Luo *et al*., (2017) evidenced that as a result of the political advocacy of central government regarding CSR and sustainability, CSOEs (with close ties with central government) tend to exhibit faster adoption of CSR reporting.

Additionally, Li and Lu (2020) argue that although the SOEs' global experience also plays an integral part in their sustainability initiatives, the political ambitions of local government's politicians, and the career pursuit of senior managers (e.g., chairman and CEOs) were referred to as the most important drivers for implementing CSR and sustainability practices in Chinese SOEs. These findings are consistent with Marquis and Qian (2014) that Chinese firms tend to actively engage in CSR reporting practices when their owners or senior managers are members of political councils, e.g., the National People's Congress, and the Chinese People's Political Consultative Conference. In summary, prior literature suggests that in Chinese context, the pressure for sustainability performance (e.g., social, and environmental reporting) is prominent, inevitable, and irresistible. The socio-political and institutional pressure and the formal and informal social norms shape the strategic orientation and influence corporations to adopt sustainability practices in Chinese SOEs.

2.2. *The presence and absence of SRA adoption*

Existing SRA literature has examined various motivating factors for SRA adoptions in different corporations and the effects of SRA in different organisations and institutional contexts (Clarkson *et al*., 2019; Tyson and Adams, 2019). In general, most firms adopt SRA due to the increasing

expectations, demands of relevant stakeholders and the broad institutional pressures (Braam and Peeters, 2018, Martínez-Ferrero and García-Sánchez, 2017, Sheldon and Jenkins, 2020). Also, SRA may be used by firms as an instrument to sustain or strengthen corporate reputation and competitive advantages, and avoid potential risks and missed opportunities (Kend, 2015, Martínez-Ferrero and García-Sánchez, 2017). Moreover, SRA is adopted by firms as a symbolic or strategic activity for the legitimation process of the holistic, sustainability-related project in corporations (Channuntapipat et al., 2020, Braam and Peeters, 2018).

Numerous empirical evidence suggest that the SRA service provided by the big-four professional accountancy firms can enhance the credibility and reliability of sustainability reports and, hence, increase the confidence of stakeholders in using the information to make more informed decisions (Michelon et al., 2019, Steinmeier and Stich, 2019). Also, SRA may mitigate information asymmetry between corporate management and various stakeholder groups, thereby reducing the cost of equity capital and the forecasting errors of financial analysts (Martínez-Ferrero and García-Sánchez, 2017, Reimsbach et al., 2018, Rivière-Giordano et al., 2018). Nevertheless, extant SRA services and assurance statements are accused of being incomplete, often immaterial, and only partially conforming to specific assurance standards and auditing procedures (Smith et al., 2011, Wong and Millington, 2014).

Nevertheless, previous studies are mainly focused on SRA adoption by firms in developed countries, but SRA research in emerging economies, such as China, is limited. There is one study by Liao *et al.* (2018) that attempt to offer valuable evidence on the existing adopter of CSR assurance in China. This study revealed that corporate characteristics (e.g., board of directors) have an impact on the adoption of CSR in Chinese companies. However, they also reported that merely around 4%, only 83 out of 2,054 firms, in the sample have adopted external SRA (Liao *et al.*, 2018). Although the authors offered an explanation as to the board of directors plays a decisive role in voluntarily using the third-party assurance on CSR reporting practice, the reasons why the vast majority (96%) of firms in China resist to accept SRA services deserves further investigation. Noteworthily, there is a dearth of empirical studies investigating the phenomenon that the majority of sustainability reporting organisations have yet to adopt SRA, particularly those in emerging economies (KPMG, 2017, Tyson and Adams, 2019).

One exception is the study of Darus *et al.* (2014) represents an early attempt to explore the impediments of embedding SRA into organisational contexts in Malaysia. Through conducting an online questionnaire survey, the study suggests that while SRA seems to have become a prevalent

practice, the adoption or rebuttal of SRA is fundamentally determined by the attitude and subjective norms of internal organisational actors (e.g., senior managers) (Darus *et al.* (2014). The obstacles preventing firms from embedding SRA include the fear of public scrutiny and criticism, and adverse effects on corporate reputation, the cost of undertaking complicated SRA engagement, and the absence of agreed standards, mandatory regulation, and other coercive pressure (Darus *et al.*, 2014). Overall, we have very limited understanding of why there is a lack or absence of SRA adoption in emerging economy firms. In our paper, we draw attention to the role of SOEs in implementing relevant practices to address sustainability issues in China, the largest emerging economy and the world's upcoming largest economy, given their nature of public ownership for maximising social welfare.

This study aims to offer a nuanced understanding of why and how the interplay of institutional script and organisational factors results in individual actors persistently resisting embracing SRA as a component of sustainability reporting process in a Chinese CSOEs. We draw on the theoretical conceptualisation of hidden resistance to SRA practice to investigate how and why SRA remains absent in Chinese CSOEs that have been leading sustainability reporting practice in China since the mid-2000s.

3. Conceptualising Hidden Resistance to SRA in China

3.1. *Allegiance to socio-political stability logic*

Individuals and organizations are guided by field-specific institutionalized norms, values, and practices that cohere in institutional logics (Thornton and Ocasio, 2008). Socio-cultural norms and specific institutional logics determine human conducts and construct the institutionalised pattern of actions (Scott, 2013, Schneider, 1976). Individual members of organization often enact the societal scripts and norms in organizational life (Thomas *et al*., 1987). Individual choice, motivation, and purpose are not completely autonomous. They implicitly and explicitly subscribe to constitutive rules and socio-cultural norms as guidelines for their decision in any situations (Berger and Luckmann, 1967, Scott, 2013). Therefore, individuals' allegiance to the institutionalised norms influences the way they respond to demands and pressures.

Since the establishment of the People's Republic of China in 1949, the logic of socio-political stability has governed all aspects of organizational operations and facets of individual life (Feng, 2013; Zeng, 2015). The stability logic entails that any decisions and actions that organisations (e.g., companies and public sectors) propose to implement needs to be scrutinised by relevant government agencies to ensure that they are consistent with the government's political ideology

and enhance, or at least, do not affect the ruling legitimacy of the Chinese communist party (CCP) (Howell, 2012; Schubert and Ahlers, 2011). In other words, any threat to the government's control in social and economic spheres will interfered, neutralised, or terminated. Over the last decades, CCP's political ideology determines the way that governments at all levels dominate companies' perception of practices and the strategic decisions that impact on the accumulation of both symbolic and economic capitals (Situ *et al*., 2021). The logic of maintaining socio-political stability appears to not only suit a fledging country after China's independence in the late-1940s when socio-political stability was prioritised, but also plays an important role in achieving such a rapidly economic growth over the last decades. In particular, SOEs represent the most important organisation in which the politically important stability logic can be maintained. For example, to ensure the pervasive implementation of stability logic and other political ideologies, all senior executives of SOEs are selected and appointed by the CCP-led State Council, and all of them have political standing in the CCP committee and their promotion is contingent upon their utterly loyalty and conformity to the Party's political orders.

Nowadays, in such an authoritarian regime like China's, it appears that organisations and individuals naturally follow the political ideology and more specifically, the stability logic, in their daily life (Howell, 2012, Raynard *et al.,* 2013). This is not surprising, as organizational members often become the carrier of the constitutive logic (Pache and Santos, 2010). Any projected plans and decisions for future changes have to be in accordance with the institutionalised norms and values (Friedland, 2018). The attachment to institutionalised scripts influence how individual and organization evaluate and response to external/environmental stimuli that call for organizational changes (Almandoz, 2014). Any decisions for organizational changes have to conform to the settled logic (Liebman and Milhaupt, 2015). It forms the logical properties, and structures the stream of individual thoughts, actions, and decision (Innis, 2004, Polanyi, 1966).

Indeed, the Chinese firms and internal actors are aware that organisational survival and prosperity are highly determined by the strong connections to state power (Milhaupt and Zheng, 2015, Sheng et al., 2013). The dominant stability logic somehow rules individual and organizational actions (Pearson *et al.*, 2021). The logic of stability is enacted and embodied clearly in how individuals choose to operate, and what organization signs up for. Individual managers and organizations in the Chinese context carry the stability logic as the institutionalised norms. They embed and enact them in all aspects of organizational decision with pride (Voronov and Vince, 2012). The overarching logic of stability in Chinese context becomes a tacit logic that influence organizations' readiness to accept any ideas or external pressures to change.

Bourgoin *et al.* (2020) argue that any pressures for change in such a politically adverse context often engage in legitimacy work to gain organizational members' acceptance and support of their initiatives, including in the context of sustainability assurance practitioners (O'Dwyer, 2011, Canning et al., 2019, Andon et al., 2015, Farooq and De Villiers, 2019). However, organizational actors might resist demands for such undesirable change as it contradicts or threatens the settled institutional logics and social values (Wright et al., 2017, Glynn and Lounsbury, 2005, Marquis and Lounsbury, 2007, Malhotra et al., 2021). In the context of the growing pressures to accept a social and environmental accounting agenda, and the demand for sustainability assurance, resistance might occur as individuals in organizations are driven by strong internal forces to adhere to the prevailing profit-maximizing logic (Bouten and Everaert, 2015). Individual members in organizations might be insistent with a settled logic or interpretations and resist by engaging in seemingly insignificant discursive practices (Harding *et al.*, 2017). The allegiance to the embedded logic may induce logic-based resistance, as discussed in the following sub-section.

3.2. *Harnessing a navigational space to resist external SRA*

Organizations that face the pressure to change often engage in ways that enable them to regain control and autonomy by developing a navigational space, which constitutes discursive conditions or any transformational approaches that ensure same signs of change can be appropriated, translated, rehistoricized and read anew (Palpacuer and Seignour, 2020, Moje et al., 2004, Keenan and Miehls, 2008). By doing so, organizational members are able to subtly resist to the pressures for change by opening a space that allows them to navigate the pressure for change, or to bridge or expand the boundaries between the organization' settled logic and the new discourse for change (Barton and Tan, 2009). The navigational space allows them to negotiate different discourses and to generate new knowledge or counter narratives. Such subtle way of resisting enable organizational members to share, develop, and leverage both discursive and material resources to respond to the pressure for a hegemonic transformation (Palpacuer and Seignour, 2020). Resistance is a manifestation of deep-seated struggles that emerges from certain issues that clash with the settled logic (Fleming and Spicer, 2008).

A navigational space to pressures allows hidden resistance that is concealed in many ceremonial aspects of individual acts and organizational decisions (Courpasson, 2017, Kelley, 1993, Contu, 2008). The navigational space provide an obscured or veiled way to resist within the 'intersubjective relations and other quiet subterranean realms of organisational life' (Fleming and Sewell, 2002, p.869). Elite or individual actors in firms might engage in 'decaf resistance' (Contu, 2008), or subtle/discreet (Ybema and Horvers, 2017), hidden/indirect (Fleming and Sewell, 2002),

or covert in any modes of interstitial and subterranean acts of resistance (Collinson, 2003, Collinson and Ackroyd, 2005, Scott, 2007, Putnam et al., 2005). The act of subtle resistance is obstructed in what acts that are seemingly accommodate demands or any responses to societal pressures. Managers might use accounting tools as a navigational space to resist subtly and creatively (Allain *et al.,* 2021).

Superficial response or subtle mix of compliance and resistance to the demand for changes in accounting practices are seen in different organizational contexts (McNally and Maroun, 2018, Allain et al., 2021). In the context of sustainability agenda, internal actors' resistance might be manifested in the adaptation and learning on sustainability strategy (Dyball *et al.*, 2015). Silvola and Vinnari (2021) argue that institutional actors undertake political work induced by market logic to resist mandatory sustainability assurance. The navigational space for resisting subtly allows implicit binary opposition, through which compliance to organizational control processes is fulfilled but equally provide an effective resistance space to such mechanisms of control (Mumby, 2005, Pfeiffer, 2016). In such condition, compliance and resistance co-exist, where contradiction and compromise are complex and often contradictory dynamics (Thomas and Hardy, 2011, Thomas et al., 2011).

Studies show how accounting functions as a navigational space of resistance or counter-action as actors caught within dialectical engagements of workplace control (Yang et al., 2021, Fukofuka and Jacobs, 2018). Unwanted accounting and finance changes might induce both private/internal or public/external forms of resistance (Broadbent et al., 2001, Alawattage and Wickramasinghe, 2009, Jeppesen, 2010). Navigational space also enables organizational actors to engage in any forms of subtle and apparent resistance as ways to cope with the complex power relations and the socio-political conflict in a sustainability transformation agenda (Temper *et al*., 2018). The navigational space allows actors to resist against coercive and subtle mechanism behind the formal mandate for sustainable transformation (Saravanamuthu, 2004, Avelino and Rotmans, 2011, Partzsch, 2017). As an example, organizational actors might engage in various rhetoric to disguise the absence of external SRA in navigating a space to resist. Studies shows how they withstand to employ external SRA by arguing that such assurance is simply a restricted check of the sustainability report content (Farooq and De Villiers, 2019), which has superficial impact in promoting credible reporting (Gürtürk and Hahn, 2016).

The socio-political logics or powerful government/actor groups influence in certain jurisdictions might induce discursive practices or perhaps internally control or a more comfortable alternative

of SRA assurance (Silvola and Vinnari, 2021, Gillet, 2012). Navigational space allows actors to resist in both subtle and apparent way at the same time (Dyball et al., 2015, Milne et al., 2009). This enable individuals to present a frontstage compliance with backstage resistance or vice versa (Ybema and Horvers, 2017). In such a context, control or pressures to change, and power to resist or act in liberating ways are caught in a deadly embrace (Contu, 2008). In our case, SOEs realise the global pressure for implementing SRA practices/reporting and the assurance processes. Subtle resistance occurs as the requirement for SRA assurance contradicts the stability logic. The involvement of external assurance providers is seen as a potential threat to the stability of SOEs in China. Resistance to the demand for SRA assurance might be implicitly represented in how individual members of organization engage in subtle oppositional strategies (Prasad and Prasad, 2000). Our paper seeks to conceptualise how managers engage subtle resistance by in reframing alignment to the demand of SRA assurance while maintaining the allegiance to the socio-political stability logic.

4. Methodology and Research Methods

A qualitative fieldwork-based case study approach was undertaken in 2014 to collect empirical evidence regarding corporate/managerial resistance to SRA in a Chinese SOE operating in the energy sector, anonymously named Chinergy. During the fieldwork in Chinergy, the lead author personally observed the entire process of preparing the stand-along sustainability report, managed to interview almost all decision makers collectively determining voluntary CSR/sustainability practices, and analysed previous sustainability reports, the archival documents about the decision-making of CSR/sustainability issues. In addition, some additional follow-up field visit and interviews were conducted in 2019 in order to deliver a fuller picture of the collective decision-making process about the non-adoption of SRA in the case organisation.

We selected Chinergy as our case study organisation because, firstly, Chinergy has been a pioneering CSOE in sustainability practices in China. The stand-alone sustainability reporting process in Chinergy involves all departments in its headquarters, and therefore provides a suitable research context through which to observe and collect information regarding the sustainability-related, decision-making process. This will help us gain a fuller understanding of how actors within SOEs perceive and interpret the adoption of SRA that have been embraced by their global peers for many years, and why they have consistently avoided it. More importantly, along with its publication of the first sustainability report back in 2006, Chinergy's senior managers did officially pledge to embed SRA into the reporting process; however, it remained reluctant to do so till 2022. Why this was so is the question that the present study aims to answer.

To address the research enquiry, we adopted an engagement research approach (Adams and Larrinaga, 2007) to investigate the endurable resistance of Chinergy to accepting external SRA services which its global peers have regularly adopted for many years. Through engaging with the organisations and internal actors (i.e., managers and employees), we were able to obtain an in-depth theoretical understanding of the social accounting agenda and managerial capture of the accounting and reporting processes within a specific organisational context (Adams and Larrinaga, 2007; 2019). In this case study, to ascertain the reasons for the prolonged resistance of Chinergy to the integration of SRA into its sustainability reporting processes, we conducted a series of semi-structured interviews and informal conversations with 25 managers who have been involved in sustainability (reporting) practices. The data collection was conducted in two phases. The initial round of data collection was undertaken in 2014 as part of a large research project investigating the sustainability reporting practices in Chinergy. In 2019, another 11 follow-up interviews were conducted with key personnel with a specific purpose of tracing their consideration of external assurance on sustainability reporting.

Initially, the lead author managed to obtain authorised access to conduct the fieldwork in Chinergy. In order to build trust with actors involved in the sustainability reporting process, the lead author worked as a volunteer (unpaid) member of its Sustainability Report Editorial Team (SRET) from February to June 2014, and therefore had a chance to engage with the team through the entire process of producing a stand-alone sustainability report. In the fieldwork, the authors maintained as far as possible a neutral academic investigator position. During the prolonged fieldwork, we were able to see first-hand how sustainability report is produced and make notes regarding their perceptions of SRA services provided by various existing assurers. Our research is a response to the recent call for more engagement, field research in SEA (Adams and Larrinaga, 2007; 2019). Through a prolonged fieldwork, we could achieve our main objectives of obtaining an authentic, in-depth understanding of the managerial attitudes towards the adoption of SRA in the CSOE.

In addition to the face-to-face interaction with relevant personnel, the author also gained access to archive documents and board-level meeting minutes to analyse how the Chairman, CEOs, as well as the middle-level department managers consider the SRA services. To maintain the variability and reliability of our empirical data, the author act as much as possible as a passive observer so that might minimise others' impact on the authors' judgement and analysis (O'Dwyer, 2004, Bédard and Gendron, 2004). Most interviews were audio recorded except on two occasions when informants refused to be recorded.

However, although SRET has repetitively mentioned the adoption of SRA service in the board meeting, up until mid-2019, Chinergy had still not approved the proposal. In case the managerial perspectives on SRA were evolving after 2014, we set out to undertake up-to-date interviews with 11 influential decision makers during the summer of 2019. In the second-round field visit, the informants were directly asked why professional SRA remains a vacuum in Chinergy's sustainability reporting process, and if there were any changes in their perception of SRA services since the last fieldwork period in 2014. All follow-up interviews were tape recorded. More detailed interview information is illustrated in Appendix A. Again, Chinergy's published sustainability reports, the relevant archival documents, and the memos recorded during sustainability practices meetings were also analysed in order to instantiate and supplement the managerial discourse regarding SRA after the initial fieldwork in 2014 (Grafton et al., 2011, Parker, 2014, Yin, 2009).

The theoretical arguments serve as a framework by which our empirical data can be sufficiently examined. Our data is derived from the managerial discourse via interviews and documentary materials to address the primary objective of ascertaining why Chinergy's internal managers formed their different insights into the necessity and relevance of SRA, and ultimately resisted adopting it in the sustainability reporting processes over the last decade or so. To this end, we code the empirics by categorising distinctive perceptions and interpretations of internal actors as to: (i) the prominent sustainability reporting practice and the advent of the discourse of SRA in the Chinese context; (ii) the logic of socio-political stability and its impact on the development of SRA in the SOE sector and the Chinese context at large; (iii) the influence of stability logics on their reluctance to accept external SRA services; (iv) how they navigate the increasingly important SRA service in global peers, and growing demands from stakeholders; and (v) the prospective outlook on SRA for sustainability reporting practices in Chinese corporations.

Initially, the interview data were translated from Chinese to English so that it would be more accessible for the authors to conduct further analysis and discussion. During the translation and initial transcription, the main themes were initially identified, and relevant managerial discursive quotations classified accordingly. The first round of data coding generated 76 pages of transcripts and 11 themes relating to why individual managers have considered SRA as something they should avoid. The second round of data analysis was aimed at reducing the dataset with the specific purpose of summarizing the most relevant quotes specifically focusing on managers' perception and reaction to SRA practices. The last round synthesized various managerial discourses in accordance with the framework of hidden resistance to SRA that the present study adopts

(O'Dwyer, 2004, Hitt et al., 2007). The empirical analysis will be presented in the following subsections.

5. Empirical Analysis

5.1. The advent of SRA discourse and the allegiance to a socio-political logic of stability

The Chinese SOEs began to voluntarily initiate CSR and sustainability reporting from the mid-2000s, which was more than a decade behind many other global peers, and the external SRA offered by third-party independent assurers caught the eye of Chinergy's management from the outset of its sustainability reporting. However, our fieldwork reveals that the implementation of sustainability reporting within Chinergy has never been easy and smooth. The process remains primarily controlled by the Chinese government that has a substantial stake in SOEs, as expressed by informant I14.

"We have to admit that social and political stability is the fundamental for economic development in a Socialist country. The central government has been experimenting various policies and strategies to boost national development. We cannot ignore that fact that SOEs are historically and realistically vital for the socio-political stability and continual development of the country".

Based on our empirical evidence, stability become a prevailing institutional order under the close control of the Socialist government. Any potential threats to the national interest have to be mitigated. Maintaining the stability of socialist market economy has become a settled institutionalised norm, and the logic of stability is dominant in how SOE implement SRA. As claimed by I2,

"CSR/sustainability reporting has been adopted in Chinergy for 13 years now, we have accumulated substantial first-hand experience and had a clear understanding of what we should do in the process. SOEs are underpinning the preliminary phase of Socialist Market Economy. Chinergy has to continue operating in the energy industry and maintain its global business activities, anything that could pose threat to its operation needs to be prohibited".

As discussed by I2, over the last decades the stability logic often conflicts with the logic of sustainability reporting and assurance practices. Individuals in Chinergy refuse to adopt SRA fully and frame its implementation as "a voluntary, self-regulated accountability process whereby internal management have flexibility and discretionary power to determine what to report, to

whom it reports, and how the reporting process should work in their respective organisations", as contended by I5.

Several managers possessed a strong conservative attitude against making changes at Chinergy. The allegiance to the stability logic influences their acceptance to any changes to the routinised organisational processes and structures, including sustainability reporting-related practices. The settled logic for maintaining stability drives managers' fear of uncontrollable social upheavals, or overwhelming external forces and pressures, as critical pre-conditions for an organisation to initiate substantive changes. They argue that some Chinese corporations' decision to accept external SRA services is a way to win CSR-themed awards schemes which require an assurance statement to the sustainability report. They view it as a shortcut in presenting a superficial image for being socially and environmentally responsible corporations, as I3 stated:

> "[we are not like] other companies [that choose to] verify their sustainability report for the purpose of gaining rewards and enhancing their corporate reputation. I do not believe they use external verification to truly increase the quality of sustainability reports."

Managers also argued that all aspects of Chinergy's operation are crucial to the national development strategy, and therefore the external intervention was viewed as unacceptable and a potential threat to the stability of the Chinese context. As reported by I1:

> "[…] the operations of large SOEs are relevant to national policymaking, social stability, and economic prosperity […] we cannot allow outsiders to touch information about our internal operations. External verification of SOEs should be cautiously undertaken because our confidential information has been stolen many times over the past several decades […] energy corporations are crucial for China's economic and societal development; we have not been prepared to accept third-party assurance services."

It appears that most internal actors viewed the adoption of external SRA services as inappropriate, or even forbidden activity for Chinergy, given the current socio-economic and political environment of which CSOEs are an integral part. As I25 argues "many managers have realised the importance of the verification of sustainability reporting, but they are afraid of SRA providers becoming troublemakers affecting Chinergy's normal operation […] the price for SRA service is too high to deserve Chinergy's acceptance". For them, Chinergy remains a strategically significant SOE whose industry operation and administrative process should not be over-exposed to the public.

The individual managers considered the exposure of information on its internal structure, process, and operation as a threat to social stability, economic prosperity, and national development in an emerging economy such as China.

Also, most managers appear to believe that an additional external verification will not affect the internal governance system of Chinergy, as internal interventions often take place to maintain the allegiance to the stability logic. Many managers who asserted that given SOEs' significant position in Chinese society and economy, it is highly likely that leaders would like to influence the verification results. As reported by I9, "if our leaders were unhappy with the assurance statement, they could manipulate it by applying their power and authority". As such, the assurance would ultimately result in a bureaucracy and formalism, adding no substance to the prospective sustainability practices.

> "[…] we need to do everything based on the actual national reality. Large corporations intervene in and manipulate the current assurance on financial report, let along sustainability reporting. Therefore, it is useless and meaningless to introduce [independent] SRA". (I24)

It was alleged that due to CSOEs' compelling position in the Chinese context, they would have the power to intervene the assurance work to ensure stability. Chinergy's managers argue that an assurance process could easily be manipulated. In their view, the SRA could simply become a ceremonial process, resulting in a waste of resources, e.g., time and money, in the existing organizational governance system which is inefficient compared with other global enterprises. Like many emerging, or less-developed, countries, the state, or central, government intentionally craft and maintain institutional orders through supervising organizational and individual actions so that its political authority and ruling power are not jeopardised (Lin et al., 2020, Luo et al., 2017, Song, 2018).

Our empirical investigation reveals managerial reluctance and resistance to embedding SRA into the sustainability reporting process at Chinergy. As one of the managers (I3) stated that "[…] when it comes to financial, social, and environmental, or any other reporting or information disclosure to outsiders, our principle is clear that we only report what we would like the outsiders to know, instead of what they would like to know. This is what we [SOE insiders] have been following when we communicate with relevant stakeholders. Otherwise, we will be in trouble, we must avoid that".

Overall, the allegiance to stability logic shapes what are deemed inappropriate and risky changes to sustainability reporting practices. As an authoritarian regime, exterior examination, inspection, and verification of the operations of significant sector organisations such as CSOEs are perceived as an intervention in political affairs and a potential threat to stability in China. The stability logic drives managers' awareness of the possibility of leaking confidential and strategic information during the assurance process, as discussed further in the following sub-section.

5.2. Harnessing a navigational space to resist pressure from SRA discourse

The CEO of Chinergy, in the press conference for the publication of its first sustainability report in 2006, officially declared its intention to incorporate external SRA into the process of sustainability reporting: "[…] we are delighted to announce Chinergy's decision to produce a stand-alone sustainability report to the public […] and will engage with external verification shortly to improve our SR processes and make the report more reliable, credible and readable for the stakeholders." (Excerpts from the CEO's speech for the inaugural sustainability reporting)

Despite the CEO's claimed propensity to integrate SRA into sustainability reporting, Chinergy's allegiance to the stability logic ultimately inhibit the implementation. From our analysis, the spirit to maintain the internal secrecy of CSOEs and the national interest induce the development of a navigational space to respond to the pressure for change in their sustainability reporting. Different rhetoric is offered to ensure Chinergy could show the same signs of change to their sustainability reporting practices, or seemingly adopting SRA, but subtly engaging in ways that the assurance process can be appropriated, translated, re-historicized and read anew (Palpacuer and Seignour, 2020, Moje et al., 2004, Keenan and Miehls, 2008).

5.2.1. Rationalising the scepticism and subtle resistance to the demand for external assurance

Despite acknowledging the value of adopting SRA, managers express scepticism to the necessity and appropriateness of having sustainability reporting assured by independent third parties. A department manager (I24) argued that "[…] it is a bit ridiculous to accept external verification on our sustainability practice and reporting because we have no idea about how it works, and we are not ready to be scrutinized; the cost of having the assurance should not be a problem, but is it necessary? I do not think so […] we refuse the extra burden on our busy routine". Chinergy's managers represented by I24's argument above provides different rationales to justify their resistance to external SRA. The scepticism to the independent verification on their sustainability reporting process, is in a way reflects the fear that such assurance process will harm the stability logic. A bad experience that Chinergy went through in the past, as narrated by I4 below becomes

strong ground from which to refuse to engage with an external assurance process. The risk that might arise from unwanted leaks of internal matters or sensitive affairs become a strong rationale for CSOE to refuse external assurance to sustainability reporting. As argued by I4:

"We learn lessons as we undertake the reporting […] when we firstly prepared sustainability report, we did include information against the Global Reporting Initiative Sustainability Reporting Standard 2.0, and we honestly reported some negative news about our accidents and pollution. However, over one night, Chinergy became the target attacked by the public. That was a nightmare, our top executive and even the central government were concerned with the public reaction to SOEs social responsibility. After that, we definitely stopped reporting any sensitive information to the public […] no matter what, we must be in control".

Bad experiences of this nature, in the past further vindicate the fear of compromising or putting at risk the stability logic. The managers seem unconvinced that external verification would add value, by arguing that sustainability performance is rather difficult to verify. Chinergy's management highlighted the multifaceted nature of the existing structure of sustainability practices, and the absent of a general consensus about a universally accepted standard and procedure for undertaking meaningful SRA. By stated by I19:

"We did reach out to some CSR and sustainability reporting assurers, and we realised that it is pre-mature to engage with current assurers because they cannot explain clearly what standard they carry out the assurance work in Chinese companies. Undoubtedly, CSOEs are different from western corporations in terms of our identity and mission to underpin the nation's prosperity and socio-political stability. If they do not have a plausible made-to-measure assurance standard for Chinese corporations, how could we prepare relevant documents or paperwork for their verification".

The argument of a Chinergy's manager (I19) above represents further evidence of a strong allegiance to the stability logic. They challenge the lack of standardisation in external SRA process and its methodology as a cover their fear of external interference that might breach the secretive nature of Chinergy's organizational practices. It suggests that in the present Chinese social context, the managers' resistance to external assurance is hidden behind the rhetoric around many aspects of the external assurance provider's work. Such rationales and rhetoric are created in order to maintain the stability and internal secrecy, as I12 outlined:

"[…] generally speaking, assurance or auditing is not regarded as being effective in China. Assurance providers may do you a favour if you pay them. […] even the audited financial reports of some listed firms have always been exposed as being connected to scandals and fraud […] in terms of sustainability reporting, I deeply doubt that SRA is able to influence how companies compile a sustainability report."

Apart from the above rhetoric, the managers argue that the assurance process will not be able to affect the nature of the sustainability report due to its voluntary nature and managerial discretionary actions in the process. Some managers denote that it is the immaterial nature of information disclosed in Chinergy's sustainability report that caused the vacuum of external verification. Specifically, they contend that the existing report is full of generic discourses and narratives, and images which are not worth external verification. In this sense, stability and maintaining internal secrecy are paramount in Chinergy. Some concerns and expression of doubts are shown to support their resistance to the idea of an independent assurance on sustainability, as asserted by I10:

"[…] it is unrealistic to undertake assurance on a sustainability report because the nature of the information disclosed is generic and positive, which does not deserve a formal verification. The present sustainability report includes information that Chinergy's managers would like to report rather than completely follow a certain standard. There is no need for this kind of information to be verified."

Informant I11 refutes the need for external assurance by expressing their doubt on the positive impact of external verification on normal operations (i.e., business as usual) of Chinergy. But he does not seem to show any acceptance of accountability. Some of the rhetoric are also presented around the cost of using external SRA. They argue that it seems overpriced compared to the value and benefit that such assurance process would provide. It represents their subtle resistance of external SRA services. As I 11 argued:

"Despite the assurers' inadequate experience and insufficient techniques in undertaking assurance work in our organisation, they charge a high price. The assurers, no matter where they are from, domestic or foreign, aim to obtain the market share as early as possible, they are driven by profitability. Even if we paid the fee, we may have to teach them how Chinergy as a CSOE operates and how to check and verify our CSR activities and performance in the

assurance process, that would cost us a lot. Apparently, a piece of paper with a short statement (i.e., the assurance statement) does not worth the money."

They explicitly express their doubts on the value added from the independent assurance provided by both global and domestic assurers. In undertaking assurance and auditing work for sustainability reporting processes in Chinery, I5 states that, "over the past years we could not identify any material value in having SRA service as part of the sustainability reporting process". They argue that the process does not add value for enhancing sustainability practices. They saw the current assurance as being pointless and meaningless for the existing sustainability reporting practices. As claimed by I14:

"[…] whether to adopt an assurance service for our sustainability report depends on the ability of providers to improve the internal governance of Chinergy. We studied the assurance statements by KPMG and other professional accountancy firms […] they use ambiguous words and phrases translated from western language assurance statements. […] we cannot see any value in doing it. This kind of statement is just window dressing. […] it is meaningless and useless."

Overall, most managers involved in sustainability reporting provide different reasons to resist the idea of external assurance. The advocacy of global peers and global professional bodies is perceived as an interference in what Chinergy's managers regard as sensitive internal matters, while also being seen as a threat to Chinergy's reputation. From our analysis, despite the formal announcement by top management to embed SRA, Chinergy has still not yet accepted the practice in the process of sustainability reporting. It is from this incongruous position that the present study aims to gain a nuanced understanding of Chinergy's reluctance to walk its talk by accepting SRA. This finding concurs with recent studies on sustainability practices in developing countries (Albu et al., Forthcoming, Farooq and de Villiers, 2020, Mahmood and Uddin, Forthcoming, Parsa et al., 2021).

[Insert Table 1 here]

Table 1 above details the contradictions between the existing logic guiding sustainability reporting practice and the SRA discourse based on fieldwork. In China, although a striking increase was seen in the number of organisations engaging in sustainability reporting, external SRA has seldom, if ever, been seen as offering anything of relevance to the development of the accountability and reporting processes. Clearly, from our empirical analysis, embracing the demands of having

sustainability reporting scrutinised and verified by externally independent third-part assurers represents a step outside of the comfort zone of corporate executives, as well as the governing body, of the Chinese CSOEs.

5.2.2. A self-controlled sustainability practices: navigating an alternative assurance process

The lack of support for a fully SRA adoption in Chinergy leads to a creation of navigational space that regards sustainability practice as a self-controlled process. Only a few department managers expressed their willingness to make independent SRA a part of their sustainability reporting processes. Most managers consider the sustainability reporting as self-motivated process driven by the purpose of fulfilling Chinergy's organizational goals. In resisting an independent SRA assurance process, several managers argue that it should be a management-initiated process. Most managers held an entrenched position that the implementation of a sustainability reporting system represents a benevolent and be seen as a self-disciplining activity which should avoid any interventions from outsiders. As contended by I18:

"[…] we don't accept SRA because we use sustainability reporting as a process of imbuing our corporate culture with the notions of CSR and sustainable development. […] we want sustainability reporting to improve our governance instead of showing off our performance. […] we know that some of our global peers have adopted SRA, but Chinergy does not always follow them. […] publishing a credible sustainability report should rely on self-discipline rather than being monitored and assessed by others."

Many managers attributed their reluctance to accept external assessments because they view sustainability reporting as a cultural cultivation process within Chinergy. It appears that there were no strong motivations, or internal pressures placed on Chinergy's members to utilise external SRA to assess and verify its sustainability reporting process. To them, Chinergy was simply responding to the government's advocacy about implementing SRA in CSOEs, and the chairman's public announcement on the intention to engage with external verification on their sustainability reports. But they need to navigate these demands and expectations to fit in with the stability logic but at the same time could impress the potential investors and the global peers who have already incorporated SRA. They engage with it as an internal management tool to disseminate the relevant meanings of social and environmental responsibilities for attaining sustainable development of Chinergy as a multinational SOEs controlled by Chinese state government.

As such, internal managers of Chinergy view the reporting process as a way to foster a sustainability-oriented corporate culture with their own autonomy in its implementation. In other words, the internal managers view sustainability practices and its reporting as a process that should be under Chinergy's control without any external interference that could be a threat to organizational stability. They navigate their resistance by arguing that cultural development and understanding through the sustainability reporting process could not be achieved by an external assurance process or a similar kind of external intervention in a short period of time. They argue that its success depends on the self-discipline of internal actors, rather than external forces, or to them it is simply only reporting positive news that will not harm the organizational stability.

In contrast to accepting assurance provided by independent professional bodies, Chinergy navigates the pressure for employing SRA through a self-navigated sustainability reporting review and assessment. As such, in a collective manner the internal actors acted against external intervention by arguing that it should be more about an internal culture-cultivating process. They argue that it is more suitable to exercise a self-accountability mechanism at Chinergy by implementing their own way of assurance and auditing of the sustainability reporting process. Internal actors argue that it is at their discretion to select an assurance process that also value the strategic significant identity of the state ownership and ensuring of the political and economic power of Chinergy. They claimed that Chinergy has been a CSOE directly governed by the state government (i.e., the SASAC), and it is not publicly traded on capital market (although it has several subsidiaries cross-listing in domestic and foreign stock markets). Chinergy seems to value the recognition of the state government more compared to verification or accreditation from any other external actors.

Managers navigate the need for SRA evaluation and verification into an alternative assurance through what they argue as stakeholder engagement exercises. They claim that an ongoing annual External Expert Advisory Panel Consultation is incorporated into the assurance of Chinergy's sustainability reporting process from the early-2010s. In supporting the alternative assurance process, Chinergy's showcase numerous commentaries and appraisals from different stakeholder groups, such as government officials, NGOs, and social activist groups in their sustainability reports. The current reporting editor-in-chief (I5) argues that the appraisals from relevant stakeholders are equivalent to, or even better than external independent assessments of sustainability reporting practices:

"[…] we have acknowledged the importance of external independent assurance and verification providers on CSR and sustainability reports. The western corporations commonly utilize this practice to strengthen the value of their reports. Similarly, we have displayed in our report some rewards, commentaries and appraisals offered by various governmental authorities, industrial associations, and stakeholder groups. This, to some extent, partly substitutes the role of the third-party assurers."

While interesting the stakeholder commentaries above are hardly independent assessments and could be captive or easily influenced. According to our observation of the external expert consultation during the fieldwork, despite the formation of the so-called external stakeholder panel, the consultation meeting was always arranged after the final sustainability report draft was completed. This represents an indication that this external review was merely a superficial or ceremonial stakeholder inclusiveness in the reporting process where independent verification and assurance remain absent. Our participation in the consultation suggests that a half-day counselling ended up with the video recorded and photos taken, which were subsequently included in the sustainability report to signpost the ratification of external stakeholders. The idea of external stakeholder engagement, a key element of principles of CSR and sustainability, as explained by I7, was "still conceived irreconcilable with the political ideology of the communist party-led central government which historically avoids outside interference in China's interior affairs". In addition, as claimed by I2:

"We cannot make sustainability reporting a troublemaker and we have got to circumvent any potential risks and challenges imposed by outsiders on our operation. We are super concerned with the leak of confidential information even about the national energy security. That is unacceptable. All of us will lose the job".

In summary, our empirical study indicates that internal managers held a conservative viewpoint with regard to changes in a Chinese CSOE, and appeared to view organisational change (e.g., the embedding of SRA) as a potential threat to the institutionalised norm and logic of stability. Our fieldwork indicates that due to the championing of SRET and HSE departments in advocating the potential role of SRA within Chinergy, other managers have no desire to appreciate the benefits of SRA in improving corporate sustainability practices. Instead, many individual managers had critical viewpoints regarding the existing SRA practices in China. They claimed that current SRA adopters rely on incomplete SRA as a tactical step to win CSR-related awards for window dressing purposes rather than internal improvement. Also, they envisaged the adoption and implementation

of sustainability reporting practices as an intrinsic self-motivated process, not anything forced by external factors. The purpose of implementing sustainability reporting practice is to foster a sustainability-oriented culture within the corporate context of Chinergy, and such a process of culture-cultivation is time-consuming and can only be achieved through self-discipline rather than external supervision or intervention.

In addition, the internal executives admitted the powerful position of CSOEs in both Chinese society and the Chinese economy and their legitimate avoidance of external scrutiny and evaluation, except for governmental authorities. Among these internal actors, there is a deep-rooted pretext that the exposure of CSOEs' internal information and outsiders' intervention will threaten national stability and economic prosperity. These internal actors had recognised the relevance of assurance to the sustainability reporting process but subtly refused to incorporate SRA because of the perceived threat to the organisational stability. This represents the clash between the prevailing logic of the sustainability field (i.e., the sustainability reporting process serves as an internal accountability and culture-cultivating mechanism), and the rejection to SRA discourse. Therefore, the actors remained allied to both the symbolic and material aspects of the prevailing established stability logic (i.e., accountability without external intervention), and resistant to the assumptions and values of external SRA practices.

6. Discussion and Concluding Remarks

This case study has attempted to offer an in-depth analysis of why Chinese CSOEs persistently refuse to adopt SRA, even though they have been pioneering the sustainability field in China for in excess of fifteen years. The empirical fieldwork was undertaken in Chinergy, a leading CSOE in sustainability reporting practice since the mid-2000s. Our empirical analysis indicates that the organisational members of Chinergy tended to reject SRA owing to their personal identity, concerns, and work experiences. Specifically, they attribute the absence of SRA to the lack of expertise of existing assurors in verifying CSOEs, the likelihood of formalism, bureaucracy and wasting of resources, and the possibility of leaking strategic information to competitors. Perhaps most importantly, individual actors viewed the principles of the SRA (i.e., subjecting the sustainability reporting process to external independent assessment) as conflicting and irreconcilable with the prevailing, dominant logic of stability deeply rooted in the existing sustainability reporting process.

As indicated by our empirical analysis, most managers of Chinergy perceive the sustainability reporting process as an indoor self-accountability mechanism whose development should rely on

internal self-discipline, rather than external intervention, to foster a sustainability-oriented corporate culture over a long period of time. To be specific, almost all individual managers acknowledged the beneficial role of SRA in fundamentally improving the corporate governance structure relevant to the sustainability practices in Chinergy. They also recognised the potential of SRA in enhancing the quality of its sustainability reporting process and the materiality of sustainability reports, thereby the demands and expectations of relevant stakeholders could be accommodated. However, most individual actors of Chinergy who had entrenched allegiance with the predominant logic of stability sought to create a navigational space to negotiate and resist to the pressure for organisational changes like embracing SRA practices (Suddaby and Greenwood, 2005).

There may be concerns that the lack of political pressure from the (central) government is the fundamental cause for the absence of SRA in our case CSOE. Our empirical analysis concurs with the contention that the main reason why managers (i.e., internal actors) are hesitant to accept external scrutiny and verification not only due to its voluntary nature, but also due to the lack of coercive forces from CSOE's institutional contexts, regardless of the growing normative and cognitive forces for SRA to be embedded into sustainability reporting process in organisations which generate significant social and environmental imprints (Clarkson *et al*., 2019; Sheldon and Jenkins, 2020; Tyson and Adams, 2019). Furthermore, we would argue that even the central government needs to hear from CSOE executives regarding novel practices introduced from the West, such as sustainability reporting and assurance (Parsa *et al*., 2021; Li and Belal, 2018).

Our fieldwork confirms that in the mid-2000s, when SOEs began publishing sustainability reports, the government (i.e., SASAC) allowed CSOE's managers, including Chinergy, to invstigate current SRA services and their potential for enhancing sustainability practices. This is also why Chinergy's chairman and CEO announced their intention to consider adopting SRA after the first sustainability report was published in the mid-2000s. We interpret the public speech of senior executives of a CSOE as a sign that the government permitted SOEs to reach out to SRA providers and learn more about how SRA works and whether an assurance statement is actually required with the report. Therefore, we contend that the government has not yet exerted pressure on SOEs to adopt SRA in line with multinational peers given that CSOE executives who are loyal and experienced CCP members view external SRA as a threat to the root of the socio-political logic underlying the operation and existence of SOEs in China over the last seven decades.

Indeed, managers in our case context envisaged organizational changes as an outcome of inescapable external pressures, and any proposal for changes should be consistent with the stability logic. They tended to explain the adoption of sustainability reporting practice as an internally motivated activity, and its continuity in an organisation depends on self-discipline rather than inspection from outsiders. Also, many managers tended to outrightly deny the value of any external intervention in CSOE operations due to various institutional issues and the range of specialities of CSOEs in strategically significant sectors which are conceived relevant by the government for state stability, social security, and economic prosperity during the transitional period. Our empirical investigation through a fieldwork-based case study in a Chinese CSOE which has been a pioneer of sustainability (reporting) practices makes a timely contribution to existing social and environmental accounting, auditing, and accountability research.

6.1 The role of settled logic/institutional norms in navigating SRA assurance practices

Firstly, this case study provides ample empirical evidence on how the institutionalised norms has shapes the sustainability and SRA assurance practices. The stability logic in the Chinese context shapes the managerial persistent resistance to the introduction of SRA in CSOEs. Our evidence sheds specific light on individual-level managerial perceptions and viewpoints when facing a newly emerged discourse or logic (Adams and Larrinaga, 2019, Unerman and Chapman, 2014, Tilt, 2018). From our analysis, the stability logic has driven the individual managers in our case to regard the sustainability reporting process including SRA assurance as an internally self-controlled process that is maintained in a socio-political culture-fostering mechanism.

Any external intervention in this self-maintaining culture was regarded as a risk to the Chinese socio-political stability logic and deemed inappropriate for achieving the predetermined purpose and role in adopting sustainability reporting in the closely controlled corporate culture in Chinese context. The internal members of the Chinese CSOE that we observed created a space that allow them to navigate the pressure for external sustainability assurance by implementing a self-controlled assurance process. They subtly resist the pressures for an external assurance by providing an alternative work that fits with the stability logic in the Chinese SOE sectors. The self-designed assurance process becomes a space that allows them to seemingly respond to the international pressure for engaging in SRA but internally it is a way to maintain the allegiance to the settled stability logic.

This raised concerns about the public scepticism about SOEs' sustainability performance and the symbolic nature of assurance work on SOEs' sustainability reporting. As represented in the

findings of our case, the assurance statements can be easily manipulated by SOEs' management given their political and economic powers in China. At present the managers seemed to intentionally avoid external assessment of the sustainability reporting process in Chinergy. We would argue that under the Chinese authoritarian political climate, the stability norms has induced the avoidance tactic (Pache and Filipe, 2010, Olliver, 1991) as a way to at least temporarily escape the potentially negative consequences arising from external examination of their sustainability performance, which may seriously impact their career path and outlook as a member of a Chinese CSOE (Li and Belal, 2018, Xu, 2011).

6.2 Socio-political clashes and subtle organisational resistance to external SRA

From an individual-level analysis, this empirical study enriches the theoretical understanding of the reasons why, and conditions under which the introducing of a new discourse or practice in an organisation may fail. The new discourse or practice (i.e., external SRA) might clash or be seen as a threat to the settled logic (i.e., socio-political stability). Hence, organisational internal actors created a navigational space that allows them to subtly resist the new practices, but at the same time they provide an internally controlled alternative that suits the socio-political culture and its goal of maintaining a settled logic of stability. Our organisation-specific empirical analysis of how and why individual actors inside an organisation (i.e., a Chinese CSOE) perceive external scrutiny and refuse to accept external SRA service contributes to the understanding of the "managerial capture" of CSR and sustainability reporting processes (Adams and Larrinaga, 2019; Unerman and Chapman, 2014, p. 390), as well as its impact on the institutionalisation process of sustainability practices within corporations in an emerging economy settings (Battilana et al., 2009, Currie and Spyridonidis, 2016, Greenwood et al., 2011).

More specifically, our empirical analysis enriches social and environmental (sustainability) accounting research by showing why and how practice variations could emerge, develop, and maintain in current sustainability field of emerging economies where the impact of controversial and alternative discourse continually emanates from foreign institutional contexts (Albu et al., Forthcoming, Mahmood and Uddin, Forthcoming, Lounsbury, 2008). The socio-political context where the individual actors inside our case CSOE operate somehow clashes with the discourse of SRA-related change (Kalantaridis and Fletcher, 2012, Kodeih and Greenwood, 2014). They are conditioned to follow the overwhelming stability logic and therefore appear to have an enduring immunity to SRA discourse. However, instead of outright rejection of the demand for SRA assurance, they created a navigational space that leads to a self-controlled SRA process that is in line with the socio-political culture of a Chinese SOE. This provides insights on the importance of

the needs to investigate the evolutionary constituents of SRA assurance and other emergent (competing or complementary) discourses, as well as their impact on the advancement of sustainability practices (e.g., sustainability reporting or auditing) as the sustainability field is maturing.

6.3 Practical implications for practitioners, standards setters, and policymakers

Our case study has sought to provide practical implications for practitioners, standards setters, and policymakers in the areas of sustainability reporting and related practices. In our case, since the early-2000s, the state government of China began to advocate the integration of notions of CSR and sustainability into the national development strategy, including independent assurance and verification in sustainability practices. From our empirical study, however, the sustainability reporting mechanism in SOEs, and any demands for assessment, may be only regarded as an internally crafted process. It is more of a self-serving accountability, which is hardly an independent assessment and could be easily influenced by the organisational actors or state bureaucracy. Even though the nature of sustainability reporting is no longer voluntary, internal actors play a decisive role in deciding whether to adopt a particular practice if it may be felt to threaten organisational stability.

The SRA process employed by the standards setters needs to consider the regulatory influence, political ideology, and corporate governance structure of the local corporations. For example, in China, given their overwhelming socio-political power, SOE management have the capability to neglect or suppress any activities that they regard as threatening the stability of Chinese society and the economy. Therefore, close interaction and collaboration between government authorities, executives of SOEs, standards setters and SRA providers are crucial for SRA to prevail in China and other emerging economies. Admittedly, our empirical findings of a single case study may not be generalised to other organisations and settings. More research is needed to further investigate the evolution and effects of both voluntary and mandatory CSR and sustainability reporting and related practices in other organisational and national settings.

Table 1: Managerial Perceptions of the Stability Logic and SRA Discourse in Chinergy

	Socio-political stability logic	External SRA service
Goal	Stabilising social-political and economic conditions by providing the public with an account of the CSR/sustainability performance; and cultivate a corporate culture around the notions of CSR or sustainability.	(Re-)constructing or reinforcing public trust on corporate sustainable development performance through having CSR/sustainability reporting supervised and verified by external professionals.
Source of Legitimacy	Demonstrate a posture of engaging with global peers to publish CSR/sustainability reports by following universally accepted reporting standards and guidance.	Justify the level and the extent of compliance of the CSR/sustainability reporting process with global norms and standards; it needs to be scrutinised and assured by professionals in CSR areas.
Source of Authority	Endorsement by the board of directors and internal management.	Endorsement by professional assurance statement.
Governance System	Prepare sustainability reports in a self-governance system by establishing relevant roles and responsibilities in addition to existing organisational structure.	Governance mechanisms involving more stakeholder engagement in the reporting process; more open to the outside and embrace wider range of voices from stakeholders.
Relevant Stakeholders	Central government and relevant official authorities, intergovernmental organisations, international institutions, and employees.	The general public, e.g., customers, suppliers, society and the environment etc.,
Decision-Making Process	Collective decision-making involves all department directors inside organisations.	Interaction and collaboration between corporate internal actors and external professionals.
Desired Outcome	Cultivate a corporate culture around the notions of CSR/sustainability.	Improve corporate transparency by advancing the role of sustainability reporting as an accountability practice for CSR and sustainability performance.
Accountability Forms	In-house accountability maintained by self-discipline without external intervention.	Professional accountability buttressed by external verification and assurance.
Economic Systems	Socialist Market Economy in which SOEs are the backbone and socio-political stability is prioritized.	Market Capitalism in which all corporations fairly operate to contribute to maximising social welfare.

Source: The authors' fieldwork memos

Appendix A: List of Informants

Interviewee No.	Managerial Position	Department of the Headquarters	Dates	Length (hours)
I1	Deputy Director	General Office	June 3, 2014 July 17, 2019	1.5 1
I2	Director	Public Relation	June 21, 2014	2
I3	Deputy Director	Public Relation	April 7, 2014 June 21, 2014 July 17, 2019	1.5 1 1
I4	Former Chief Editor	SRET	May 15, 2014 May 28, 2014 July 19, 2019	2 2 1.5
I5	Chief Editor	SRET	May 16, 2014 May 28, 2014 July 28, 2019	1.5 1.5 1
I6	Assistant Chief Editor	SRET	May 17, 2014	2
I7	Editor	SRET	May 17, 2014	1
I8	Director	Research Institute	April 27, 2014 May 22, 2014 June 5, 2014 July 27, 2019	1.5 2 2 1
I9	Deputy Director	Research Institute	May 23, 2014	1
I10	Deputy Director	HR	May 16, 2014	0.8
I11	Deputy Director	International Affair	May 20, 2014 July 22, 2019	0.8 0.5
I12	Deputy Director	Planning	May 26, 2014	1
I13	Deputy Director	HSE Management	May 26, 2014	0.6
I14	Director	Policy Research	May 27, 2014 July 19, 2019	1 0.5
I15	Deputy Director	P&O Management	May 27, 2014	1
I16	Deputy Director	Procurement	May 29, 2014 July 22, 2019	1 0.8
I17	Deputy Director	Corporate Management	May 29, 2014	1
I18	Deputy Director	Corporate Culture	May 30, 2014 July 22, 2019	1 0.8
I19	Deputy Director	Retiree Affairs	May 30, 2014	0.6
I20	Deputy Director	Information Technology	June 3, 2014	1
I21	Deputy Director	Overseas Exploration	June 3, 2014 July 15, 2019	1.5 1
I22	Deputy Director	Quality and Standard Management	June 10, 2014	1
I23	Deputy Director	R&D	June 13, 2014	1
I24	Deputy Director	Supervision and Inspection	June 17, 2014	1.5
I25	Director	External Communication	July 22, 2019	1
Total				*47.4*

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