

# Recent Stakeholder Governance Evolution A Managerially Semantic Study of CEO Letters in Chinese Banking

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## Abstract

Based on managerial semantics, we are examining the CEO letters to shareholders in annual reports of major banks in China. It focuses on the perceptions and practices of the stakeholder governance in those banks from CEO's attitudes, which represent the top management team. Such perceptions and practices happen to experience a process of changes due to the recent global financial crisis. It is then tested whether more concern is given to the interest of stakeholders rather than that of only stockholders and whether this is reflected in the governance process. Some cross-industry and cross-country comparative studies are conducted to make the findings solid. The main research methodologies include analysis towards content, framing, metaphor and accounting-related rhetoric.

### Key words

Stakeholder Governance; CEO's Letter to Shareholders; Managerial Semantics

### Motivation for this research

Few studies consider the research of the recent stakeholder governance evolution in China from the perspective of managerial semantics, especially by the way of analyzing the CEOs' letters to shareholders included in the annual reports of companies. These letters can be good media not only for companies who would like to convey their important information including their perceptions and practices of the governance mechanism to their shareholders and to the public, but also for investors and the public who would like to have a better idea of those companies. Although these letters are signed by the CEOs as usual, they can reflect the concerns by the top management teams as a whole.

Recently in China, many banks have voluntarily published annual statements of their chairmen of the boards or those of their CEOs. However, these statements are still quite different from the letters by CEOs of their foreign counterparts. Obviously among the many differences, the statements by CEOs in Chinese banking are quite short, which conveys far less information. But we see this effort as a good tendency which can lead CEOs of more and more Chinese companies to make such statements periodically, communicating their strategic thinking, including the corporate governance mechanisms with their shareholders and the public effectively. This brings a large opportunity to study the statements by the Chinese CEOs. When we analyze the annual statements by CEOs in Chinese banking, it will be helpful to compare them either with those letters to shareholders of some large banks in Europe or US, or with those of other industries. Meanwhile, the recent global financial crisis has also much effect on our exploration. Under such extremely difficult circumstances, we see explicitly from

these documents it is called that more attention will be paid to the interest of stakeholder other than that of only shareholder.

### **Contents of the extended abstract**

This extended abstract is started with a survey of existing literature especially in the field of the managerially semantic analyses, followed by a brief introduction of the research methodology. The description of the sample is then presented.

### **Literature**

The work of literature review has begun since we had such an idea. Most of the managerially semantic analyses are focused on the words from large US companies' leaders. These studies are mainly based on the letters to shareholders by chairmen of the boards or by CEOs within the annual reports and also on some letters and statements by them under some specific scenarios. These literatures, although not many, are heuristic for our research, especially the methodologies that they provide. Few studies considering the Chinese companies with such methodologies have been found yet.

American and Craig (2007) have well shown the linguistic arts of CEOs in 8 famous international corporations, including Enron, Microsoft, and GE etc. They scrutinize CEO's words in their letters to shareholders as well as their speeches or statements made in public, from the aspects of ideology, rhetoric and metaphor. They make the conclusion that, "CEO's words are crucial means to publicize company's strategic view, influence the public policies and expectations." Besides, their opinion about accounting also inspires us, "Accounting is actually just a seemingly objective job, with some ideological contents hidden behind."

Prasad and Mir (2002) study the CEO's annual letter to shareholder in US petroleum industry from 1970 to 1980, and analyze the turbulent relationship between the industry and the OPEC at that specific time. They deploy the methodology of critical hermeneutics and find out behind the line of words, the unstable relationship between these petroleum companies and OPEC at that time of Oil Crisis. Jones and Shoemaker (1984) also try such effort to distinguish the actual meaning from the CEO's words. Devinney and Kabanoff (1999) use the methodology of content analysis to illustrate how a firm's attention to a region (reflected in the number of references to a region) relates to its investment decisions and performance in that region, with the sample of some Australian organizations. Thomas (1997) has also discusses the similar topic from a different rhetoric perspective.

### **Research Methodology**

Those previous studies above are helpful from many aspects, especially from the aspects of methodologies. Based on them, we create a framework for our own managerially semantic analysis of the top management team's words, which briefly includes analysis towards content, framing, metaphor and accounting-related rhetoric (Klaus, 1980; Entman, 1993; Eubanks, 1999; Moore, 1994).

### **Description of the sample**

We begin this explorative study with different types of banks in China as samples, to find out some expressions reflecting the perceptions and practices of stakeholder governance by these banks and their top management teams. The Chinese banking industry is chosen among all industries in China because of the availability for data. Since it is not a compelling request by the regulatory authority, many listed companies, other than banks, haven't yet published their top management teams' statements periodically, while publishing such statements are found to

be voluntarily prevalent in banking industry of China. Till 2008, 12 banks, including 1 policy bank, 5 state-owned commercial banks, 5 joint-stock commercial banks and 1 city commercial bank, have published statements by their chairmen of the boards or by their CEOs, together with their annual reports. So we can gather comparatively enough data from the banking industry of China. The basic information of these banks is listed below.

Bank Name	Bank Type	Availability
China Development Bank	State-owned Commercial Bank	1999-2008
Industral and Commercial Bank of China Limited	State-owned Commercial Bank	2002-2008
Agricultural Bank of China	State-owned Commercial Bank	2003-2008
Bank of China Limited	State-owned Commercial Bank	1998-2008
China Construction Bank Corporation	State-owned Commercial Bank	2004-2008
Bank of Communications	State-owned Commercial Bank	2003-2008
China CITIC Bank	Joint-stock Commercial Bank	2002-2008
China Everbright Bank	Joint-stock Commercial Bank	2003-2008
China Merchants Bank Co., Ltd.	Joint-stock Commercial Bank	2006-2008
Industrial Bank Co., Ltd.	Joint-stock Commercial Bank	2004-2008
China Zheshang Bank	Joint-stock Commercial Bank	2006-2008
Bank of Shanghai	City Commercial Bank	1999-2003

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