

Green is not just a Color Anymore

Assessing Corporate Social and Financial Performance

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Abstract

The idea of green management is gaining popularity not only in the sphere of media but has also become an important academic construct. In the domain of management literature, it is considered to be a part of Corporate Social Responsibility abbreviated as CSR (Klein & Dauer, 2004). Many companies try to use “Corporate Social Responsibility” as an instrument to boost company’s performance as well as to attract new talents and leaders in the current business environment and in the global labor market (Guarnieri & Kao, 2008).

In past few years the country that has emerged as one of the world’s largest and most interconnected economies is China. A fast paced ascent in its prominence has been complemented by an increase in interest regarding research on this country (Barney & Zhang, 2008). Majority of the previous studies on corporate social disclosure (CSD), which is one of the methods to measure “corporate social responsibility”, used to concentrate on activities and practices demonstrated in the West, particularly in the US, UK, New Zealand and Australia (Hackston & Milne, 1996). Very few focused on examining CSD practices in China. In order to address this oversight, this study examines the corporate reporting of Chinese firms with regard to their environmental practices. To be more precise, this study addresses two main research questions: Are bigger Chinese companies more likely to engage in corporate social disclosure? Does corporate financial performance of Chinese companies positively affect their corporate social disclosure?

We have attempted to examine the extent to which their financial performance and size impact their corporate social disclosure using annual reports from 62 Chinese firms in this exploratory study. The results showed that there was a positive association between firm size and disclosure but no relationship between firm profitability and disclosure. It was also observed that large firms have significantly more disclosures than small and medium size companies. The results were consistent with the past literature studies (Belkaoui & Karpik, 1989; Patten, 1991, 1992). The companies which have become large will take on increasing social responsibility along with the institutionalization of the CSR (Campbell, 2007). There is a logical connection that large firms would be in a position to undertake more corporate social activities than smaller firms, and hence, should have more disclosures.