

ABSTRACT

In the context of globalization, national economies have become increasingly interdependent, and internationally acceptable corporate governance and accounting practices are diffused across different jurisdictions. This monograph critically examines how globalization has affected the adoption of Anglo-American models of corporate governance and financial reporting in China, the largest transitional economy. More specifically, it examines whether measures taken by the Chinese government, including the adoption of the International Financial Reporting Standards, the introduction of independent directors and audit committees, and the strengthening of auditor independence, are likely to improve the quality of financial reporting of Chinese listed companies. The following research question is addressed: What issues are involved in adopting Anglo-American models of corporate governance and financial reporting in China? In contrast to a significant number of prior studies that have focused largely on quantifiable and narrowly focused theoretical approaches, this monograph adopts a holistic perspective. A comprehensive theoretical framework based on institutional theory, which incorporates international influences, domestic influences, and intraorganizational dynamics, was developed to provide richer insights into the issues under investigation. This monograph provides a holistic examination of convergence with internationally acceptable corporate governance and accounting principles and standards in China by taking into account the influence of political, legal, economic, social, cultural, and historical factors on corporate governance and accounting practices. The contextual analysis reveals deeper and sharper insights into the convergence process as well as potential challenges and issues associated with the implementation of internationally acceptable principles and standards in a transitional economy. The findings of this monograph suggest that the current institutional environment in China does not yet fully support Anglo-American practices. The implementation of internationally acceptable principles and standards is largely symbolic rather than instrumental. This monograph shows how contradictory institutional pressures shape the process and outcome of loose coupling between regulations and actual

operations, which are intertwined with organizations' conflicts of interest and power dependence within China's institutional setting. Policy makers, researchers of corporate governance and accounting, accountants, and those who set standards for corporate governance and accounting are likely to benefit from this monograph, which shows the importance of contextual factors in the convergence process. Convergence is a complex and dynamic sociopolitical process that requires a critical examination of the contextual environments of countries and intraorganizational dynamics to evaluate effectiveness and issues arising from such a process.