Management Ability, Power Distance and Corporate Environmental Information Disclosure

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\textbf{Abstract:} In the face of increasingly serious environmental pollution, all sectors of society are paying more and more attention to environmental protection issues, and disclosure of environmental information is an effective way to protect the ecology. With the release of the ‘Environmental protection law’ in 2015, more stringent requirements have been placed on the environmental protection work of heavy polluting enterprises, especially the disclosure of environmental information. In addition, environmental information disclosure, as an information transmission mechanism, transmits information to various stakeholders in the capital market so that they can make sound investment decisions. The quality of environmental information disclosure not only affects the effectiveness of financial markets, but also plays a pivotal role in safeguarding the interests of a wide range of stakeholders. Management is the main implementer of external disclosure of environmental information, so how does management capacity affect the environmental information disclosure and quality of listed companies? How does the high power distance between the chairman and the general manager affect the relationship between management capabilities and environmental information disclosure?

1. Introduction

Environmental pollution has become an important issue that constrains the sustainable development of China's economy and social peace. To this end, the Chinese government has issued a series of policies and carried out a series of reforms. General Secretary Xi Jinping pointed out that speeding up the reform of the ecological civilization system and building a beautiful China, the party proposed "beautiful China, sustainable development" and "building an ecological civilization is the millennium of the sustainable development of the Chinese nation" in the 18th National Congress and the 19th National Congress. And for the first time, the ecological civilization has been written into the party constitution, and environmental issues have risen to the national strategic level, becoming an important issue of concern to the current government. The Environmental Protection Disclosure Measures (Trial) (General Directorate Decree No. 35) promulgated by the Ministry of Environmental Protection in 2007 clearly states: “Enterprises shall disclose corporate environmental information in a timely and accurate manner in accordance with the principle of combining voluntary disclosure with mandatory disclosure; In 2010, the “Guidelines for Environmental Information Disclosure of Listed Companies” was issued, which mandated that key polluting enterprises of listed companies issue annual environmental reports, and regularly disclose environmental information such as pollutant discharge and disposal, compliance with environmental regulations and environmental management work; In 2015, the Environmental Protection Law was promulgated. The law is more environmentally conscious in terms of principles, systems, and regulatory models, marking a new chapter in the construction of ecological civilization in China. At the end of 2016, the State Council issued the “13th Five-Year Plan for Ecological Environmental Protection” (Guo Fa [2016] No. 65), emphasizing that environmental governance is the core task of the current work, and raising environmental governance and ecological civilization construction into a national strategy, highlighting the determination and attitude of the Chinese government to solve environmental problems, achieve economic development and environmental improvement. However, China still...
lacks clear laws and regulations, implementation guidelines and punishment mechanisms for corporate environmental information disclosure. Enterprises mainly rely on voluntary disclosure of environmental information, supplemented by mandatory disclosure, which makes management have greater discretion, resulting in information distortion, the public and investors can not understand its environmental risks, and the overall quality of information disclosure is low.

The unique social attributes of an enterprise make it the backbone of social responsibility and fulfilling its environmental obligations. At the same time, enterprises have natural attributes, and their ultimate goal is to maximize profits, which will inevitably contradict the obligation to protect the environment. According to China's leading non-governmental environmental protection organization “Friends of Nature” in its annual environmental green paper, “China Environmental Development Report (2011)”, in the first seven months of 2010, the Ministry of Environmental Protection reported 119 environmental emergencies, accounting for 70% of chemicals. Therefore, how to encourage enterprises to take the initiative to undertake environmental protection responsibilities, actively fulfill emission reduction obligations, and improve the quality of environmental information disclosure has become a key step in building beautiful China. As the core of the company's operations, the management has mastered the direction of the company's development, formulated corporate strategic decisions, and determined whether the company would improve environmental protection and fully disclose environmental information.

Therefore, explore the relationship between management capabilities and corporate environmental disclosure. And explore the impact of the power distance between the chairman and the general manager on the correlation between management capabilities and the quality of environmental information disclosure. Finally, it puts forward relevant countermeasures and suggestions to provide policy support for enterprises to enhance environmental awareness and improve the quality of environmental information disclosure.

2. Theoretical analysis

2.1. Management ability and corporate environmental information disclosure

Since the 1940s, foreign research on the quality of environmental information disclosure has begun to take off. Many experts and scholars in this emerging discipline have carried out a series of researches, and their research perspectives, depths and methods are diverse. Jensen and Meekling proposed agency theory in 1976, which laid a theoretical foundation for the study of the correlation between corporate management power and environmental information disclosure; The theory holds that the degree of perfection of corporate governance structure determines the internal control efficiency of enterprises to a certain extent, and the perfect corporate governance structure can weaken the negative impact of information asymmetry and effectively constrain management opportunistic behavior. Thereby the quality of environmental information disclosure is improved. The internal control mechanism that is prevalent in the current stage of the enterprise is devoted to the reduction of agency costs in information disclosure, which also provides an opportunity for the management of the company to seek rent. Bergstresser et.al. (2006) also shows that corporate management uses power for information manipulation to achieve opportunistic rents, while affecting information disclosure activities, including environmental information. The formation mechanism of management power is very complicated. According to different sources of power, Finkelstein (1992) divides management power into four dimensions: organizational power, expert power, ownership power, and prestige power. China's current environmental information disclosure is mainly based on voluntary disclosure, supplemented by mandatory disclosure, and enterprises have great discretion in the expression of environmental information (Shen Hongtao and Feng Jie, 2012; Bi Wei et al., 2015). Bartol et.al. (2008) found that under the perspective of earnings management, the shareholding ratio of listed company management has a positive effect on its information disclosure level. Zhao Xi and Xu Ning (2013) conducted an empirical study on the Shenzhen A-share listed company with financial restatement in 2008-2011. It is found that the greater
the power of the listed company's management, the less its tendency to disclose information on internal control defects; in addition, the management of state-owned holding companies is less willing to conduct information on internal control defects than non-state-owned holding companies. Huang Juan (2017) believes that management is given a certain power to stimulate its willingness to work for the company, and management may not manipulate the disclosure of internal control information for short-term benefits. Therefore, under the same conditions, the higher the management ability, the higher the quality of corporate environmental information disclosure.

2.2. The Regulating Effect of Power Distance on Management ability and Corporate Environmental Information Disclosure

Power distance refers to the degree of recognition or acceptance of the unequal distribution of power in a country or society. Employees with high power distance tend to obey the authority of the superior, and often appear in the relationship between the superior and the subordinates as the "respective and subordinate" role relationship, and habitually "unconditional obedience" to the superior. This is at the national level, different from the sense of power distance at the individual level. For the first time, Hofstede (1980) proposed the power distance based on the national cultural level, which refers to the acceptability of the power inequality group to the unequal distribution of power. Chen (2002) suggests that employees in high-powered organizations believe that it is appropriate to show respect, obedience, and unquestionable loyalty to the leaders who pay their wages. Langroesn (2002) found that low power distances provide a tendency for individual workers, emphasizes employee training, and has a sense of responsibility in the work. The power distance hinders employee empowerment and undifferentiated status, and is a key feature to help employees make their decisions using their own judgment and wisdom. Jaggi (1975) first pointed out that national culture affects corporate financial disclosure. In turn, Williams (2004) pointed out that power distance can significantly affect financial information disclosure. Pitcher and Smith (2001) show that power distance can suppress different voices and reduce the heterogeneity of opinions, which is not conducive to the strategic choice of enterprises. In the context of China's high power distance culture, leaders with high power status have more motivation and ability to limit information sharing, weaken team dissent, and generate self-interested behavior (Liao Jianqiao et al., 2010). The chairman and general manager constitute the most essential high-level team of Chinese companies, and the chairman generally has more power than the general manager (Kato and Long, 2006). Therefore, we focus the power of the company's management between the chairman and the general manager. Haleblian and Finkelstein (1993) found that the power gap between executive teams is too large, which will significantly reduce the information sharing of organizational members, reduce high-quality proposals, and is not conducive to corporate decision-making. Liu Qiliang et al. (2013) showed that the concentration of executive power will reduce the effect of internal control on the quality of accounting information. Stephen et al. (2010) found that the supervision and management of the board of directors of the company was weakened by the combination of the chairman and the general manager. The board of directors was affected by the personal wishes of the general manager and may damage the interests of the shareholders. The quality of corporate environmental information disclosure is reduced, resulting in the loss of the right to know of stakeholders. Therefore, the power distance between the chairman and the general manager will hinder the ability of management to enhance the quality of corporate environmental information disclosure.

3. Conclusions and implications

From the above literature review, the following conclusions can be drawn: management ability has a significant positive effect on the quality of corporate environmental information disclosure, and the higher the management capacity, the higher the quality of environmental information disclosure. Further, the high power distance between the chairman and the general manager will significantly inhibit the positive correlation between management ability and the quality of corporate
environmental information disclosure, which will adversely affect the sustainable development of the company.

Based on the above conclusions and the status quo of China's environmental information disclosure, the following countermeasures are proposed on how to urge enterprises to fulfill their environmental responsibility and disclose more environmental information with better quality:① At the company level, improve the management selection mechanism, select professional managers through market-based methods, and let the individual-capable managers stand out, reform the current management performance evaluation system led by the company's financial performance, and introduce environmental performance assessment indicators. And actively support and cooperate with the company's environmental information disclosure behavior; By improving the corporate governance structure, strengthening the supervisory function of the Board of Supervisors, and effectively separating the roles of the chairman and the general manager, strengthening the supervision and restraint of management power, and forming an internal power structure with equal responsibility, power, and profit, reduce the adverse impact of management organizational structure power on the level of environmental information disclosure. At the national level,② Relevant departments should improve the laws and regulations on corporate environmental information disclosure as soon as possible, and supervise the listed companies in China to promptly disclose high-level and objective and fair environmental information to ensure that environmental information is not whitewashed or carved. At the same time, environmental protection companies carry out appropriate tax reductions or financial subsidies to improve the incentives for companies to disclose environmental information.③ At the market level, the state and relevant departments should strengthen supervision over non-state-owned enterprises and enterprises in areas with high marketization, combine supervision with the media and the public, increase censorship, implement more reasonable and effective reward and punishment measures, and continuously optimize China's environmental information disclosure mechanism. Promote economic development and drive enterprises to participate in building a resource-saving and environment-friendly green society.

4. References


