



From Compliance to Value Creation: Strategic Perspectives on Modern Corporate Governance in China

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Abstract

This study examines the transformation of corporate governance in leading Chinese technology firms from a compliance-focused model to a value-creation and strategy-oriented approach. It demonstrates that governance in China is shaped by the interaction of the state, market, and institutional context, integrating innovation mechanisms, stakeholder engagement, and long-term strategic alignment. The research employs a descriptive qualitative case study of Alibaba, Tencent, and Huawei, based on secondary data from 2015–2023. Findings indicate that effective governance in this context combines formal compliance with informal institutional factors, including corporate culture and alignment with national priorities. The study contributes theoretically by integrating agency, stakeholder, and institutional perspectives, and offers practical insights for understanding modern governance in technology-driven, state-influenced environments.

Keywords: Corporate governance, value creation, Chinese technology firms, institutional context, agency theory, stakeholder theory.

Introduction

Corporate governance has undergone a profound transformation over the past three decades, shifting from a compliance-oriented framework centered on regulatory adherence and shareholder protection toward a broader value-creation paradigm emphasizing strategic leadership, innovation capacity, and long-term organizational sustainability. Traditionally, governance mechanisms were primarily designed to reduce agency problems, ensure accountability, and mitigate risk. However, increasing economic complexity, technological disruption, and global competition have expanded expectations regarding the role of governance, positioning it as a strategic enabler of competitive advantage rather than merely a monitoring system (Rolf & Schindler, 2023). In contemporary knowledge-based economies, governance structures increasingly influence how firms allocate resources, manage innovation processes, and coordinate relationships among diverse stakeholders.

The rapid expansion of digital platform economies and technology-intensive industries has further reinforced this transition. Firms operating in highly dynamic environments must balance regulatory compliance with strategic flexibility, ecosystem development, and continuous innovation. Consequently, corporate governance is now understood as embedded



within broader institutional and political-economic systems, interacting with national innovation policies, industrial strategies, and geopolitical competition (Zhang & Chen, 2022). This perspective challenges traditional governance models developed largely within Western market economies, where governance arrangements are typically analyzed at the firm level and separated from state strategy. Instead, governance is increasingly viewed as a multidimensional mechanism shaped by institutional context and state–market relations.

Within this global evolution, China offers a particularly compelling setting for examining the transformation of corporate governance. Since the Reform and Opening Up policy initiated in 1978, China has developed a hybrid institutional system combining market-oriented reforms with strong state coordination (Hong & Miao, 2024). This institutional configuration has enabled rapid economic growth and technological advancement while maintaining significant political oversight of strategic sectors. The emergence of globally competitive technology firms such as Alibaba, Tencent, and Huawei illustrates how governance arrangements can evolve under conditions that differ substantially from conventional Western corporate models.

Chinese technology firms operate within governance structures characterized by distinctive institutional features, including concentrated ownership patterns, adaptive financing arrangements such as Variable Interest Entity (VIE) structures, and formalized interaction between corporations and state institutions. In China’s party-state capitalist system, governance reflects a co-evolutionary relationship between firms and the state, shaped by national priorities related to technological self-sufficiency, economic modernization, and social stability (Pearson et al., 2021). Recent regulatory interventions targeting major technology platforms have further highlighted the extent to which corporate governance outcomes are intertwined with political economy considerations. At the same time, these firms have demonstrated strong innovation performance and global expansion capabilities, suggesting that governance mechanisms operating within this institutional context may function not only as instruments of control but also as drivers of value creation.

Despite growing scholarly attention to Chinese corporate governance, an important gap persists in understanding the strategic processes through which governance evolves from compliance-driven arrangements toward value-oriented systems. Existing research has largely concentrated on structural characteristics such as ownership configuration, board composition, or regulatory intervention, while macro-level studies have focused on China’s technological rise and geopolitical positioning. Comparatively limited research examines how governance practices are actively reconfigured within firms to support innovation, organizational alignment, and competitive advantage under conditions of strong institutional oversight and rapid technological change. Furthermore, dominant governance theories—including agency theory and stakeholder perspectives—were primarily developed in Western institutional environments and may not fully capture governance dynamics within China’s distinctive institutional configuration (Pearson et al., 2021).

Addressing this gap, the present study investigates the evolution of corporate governance in leading Chinese technology firms, focusing on the transition from compliance-oriented governance toward governance systems oriented to value creation. The study pursues three



main objectives. First, it identifies strategic governance mechanisms through which Chinese technology firms align organizational control with innovation and long-term competitiveness. Second, it analyzes how institutional context and state–firm interaction shape governance strategies and their outcomes in terms of innovation performance and international expansion. Third, it evaluates the explanatory capacity of existing corporate governance theories in the Chinese context and explores potential theoretical extensions that better account for governance within hybrid institutional systems.

This research contributes to comparative corporate governance literature in several ways. Conceptually, it integrates insights from strategic management and institutional analysis to advance understanding of governance as a dynamic and context-dependent process rather than a universal structural model. Empirically, it provides a focused examination of governance practices within one of the world’s most influential technological ecosystems. Practically, the study offers insights relevant to policymakers, corporate leaders, and international investors seeking to understand governance dynamics in environments where state influence and market mechanisms coexist. As Chinese technology firms continue to expand globally and reshape competitive landscapes, understanding how governance functions as a mechanism of value creation becomes increasingly important for both academic research and strategic decision-making.

Theoretical Background:

2.1 Conceptual Foundations of Corporate Governance

Corporate governance refers to the system of structures, processes, and relationships through which organizations are directed and controlled to ensure accountability, transparency, and effective decision-making. Traditionally, governance was grounded in the protection of shareholder interests and the mitigation of managerial opportunism. However, contemporary research conceptualizes corporate governance as a broader strategic framework that balances the interests of multiple stakeholders while supporting sustainable organizational performance (Wong & Bajuri, 2013; Filatotchev & Nakajima, 2010).

Modern governance perspectives extend beyond the classical principal–agent relationship by recognizing firms as embedded within complex institutional environments shaped by regulatory, economic, and social pressures. Consequently, governance is increasingly viewed as a dynamic system combining internal mechanisms—such as boards and ownership structures—with external institutional constraints that collectively influence organizational outcomes (Filatotchev & Nakajima, 2010).

Rather than functioning solely as a compliance mechanism, corporate governance now serves as an institutional architecture that facilitates value creation, strategic oversight, and organizational legitimacy. This evolution reflects a shift from control-oriented governance toward governance as a driver of long-term competitiveness and sustainability.



2.2 Objectives of Corporate Governance in Modern Organizations

The primary objective of corporate governance is to align managerial behavior with organizational goals while reducing conflicts arising from the separation of ownership and control. Agency theory explains that managers may pursue personal interests unless appropriate monitoring and incentive mechanisms are established (Wong & Bajuri, 2013).

Beyond agency control, modern governance frameworks pursue broader objectives. First, governance enhances organizational performance by improving strategic decision-making and risk management. Effective governance structures strengthen oversight, support innovation, and enable firms to respond to environmental uncertainty. Second, governance promotes transparency and accountability through reliable disclosure practices, reducing information asymmetry and increasing stakeholder confidence. Third, governance increasingly incorporates sustainability and ethical responsibility, reflecting growing societal expectations toward responsible corporate behavior (Jamil et al., 2020).

These objectives illustrate the dual nature of contemporary governance: ensuring managerial control while simultaneously enabling value creation and long-term organizational development.

2.3 Key Components of Effective Corporate Governance

Corporate governance effectiveness depends on several interrelated mechanisms forming an integrated governance system.

Board of directors: The board represents the central governance body responsible for monitoring management, guiding strategy, and protecting stakeholder interests. Board independence, expertise, and diversity enhance oversight quality while providing strategic resources that contribute to organizational performance (Jamil et al., 2020).

Transparency and disclosure: Financial reporting and disclosure systems reduce information asymmetry between managers and stakeholders. Transparent reporting strengthens credibility, lowers financing costs, and improves market confidence (Aldamen & Duncan, 2011).

Ownership structure: Ownership concentration and shareholder identity influence monitoring intensity and control dynamics. Different ownership configurations shape governance effectiveness and strategic priorities within firms.

Regulatory and institutional framework: Compliance with governance codes and legal requirements ensures legitimacy and accountability. Nevertheless, compliance alone is insufficient; governance effectiveness depends on how formal mechanisms are integrated into organizational strategy.

Recent scholarship also emphasizes informal governance dimensions such as leadership culture, trust, and relational dynamics. These soft mechanisms complement formal structures and significantly influence governance outcomes (Subramaniam et al., 2013).



2.4 Corporate Governance, Organizational Performance, and Stakeholder Confidence

Empirical research consistently demonstrates a positive relationship between governance quality and organizational performance. Strong governance systems improve financial outcomes, enhance risk control, and support strategic decision-making (Grove et al., 2011).

Equally important is governance's role in building stakeholder trust. Transparency, accountability, and ethical leadership enhance organizational legitimacy and reinforce relationships with investors, employees, regulators, and customers. Firms with credible governance structures benefit from reduced agency risk and improved access to resources, indicating that governance constitutes a source of competitive advantage rather than merely a regulatory obligation (Bajra & Čadež, 2019).

2.5 Stakeholder Theory and Corporate Governance

Stakeholder theory provides a complementary perspective to agency theory by expanding the purpose of governance beyond shareholder wealth maximization. According to this view, organizations must consider the interests of all groups affected by corporate activities, including employees, customers, suppliers, communities, and regulators (Freeman; Crichton et al., 2021).

Within corporate governance, stakeholder theory emphasizes balanced decision-making and long-term value creation. Governance mechanisms, particularly boards of directors, play a critical role in integrating stakeholder expectations into organizational strategy and sustainability practices. Research shows that governance structures responsive to stakeholder interests are associated with improved ESG performance and enhanced organizational legitimacy.

Stakeholder-oriented governance reconceptualizes value creation as a multidimensional process generating economic, social, and environmental outcomes simultaneously. This perspective aligns governance with sustainability objectives and strengthens organizational resilience in complex institutional environments.

2.6 Agency Theory and Governance Mechanisms

Agency theory remains a foundational framework explaining why governance mechanisms are necessary. The separation between ownership and managerial control creates information asymmetry and potential conflicts of interest, generating agency costs that governance systems seek to minimize.

Governance mechanisms derived from agency theory operate through two main channels: monitoring and incentive alignment. Monitoring mechanisms include independent boards, auditing systems, and regulatory oversight, while incentive mechanisms link executive compensation to organizational performance to align managerial and shareholder interests.

Although agency theory provides essential insights into accountability and control, contemporary research recognizes its limitations. Governance today must balance wealth protection with wealth creation, requiring integration with broader perspectives such as stakeholder and institutional theories (Filatotchev et al., 2006).



Overall, corporate governance has evolved from a compliance-based control system into a strategic framework supporting accountability, stakeholder integration, and sustainable value creation. Agency theory explains governance's monitoring function, while stakeholder theory highlights its broader societal role. Together, these perspectives provide a comprehensive foundation for analyzing how governance mechanisms influence organizational performance and long-term competitiveness.

3. From Compliance to Value Creation:

3.1 Conceptual Evolution from Compliance to Value Creation

The transition from compliance-oriented governance to value-creation governance represents a major paradigm shift in contemporary corporate governance research. Traditionally, corporate governance focused on compliance with regulatory requirements, governance codes, and legal standards designed to prevent managerial misconduct and reduce organizational risk. Governance quality was therefore assessed primarily through adherence to formal rules and disclosure obligations, often resulting in a “box-ticking” approach emphasizing conformity rather than strategic effectiveness (Aguilera & Cuervo-Cazurra, 2009; Rose, 2016).

Recent scholarship reconceptualizes governance as a strategic system aimed at generating sustainable value rather than merely ensuring regulatory compliance. Value creation governance integrates financial performance with social and environmental outcomes and aligns governance processes with organizational strategy and long-term sustainability objectives (Aslanertik & Yardımcı, 2022). Under this perspective, governance evolves from a reactive control mechanism into a proactive framework supporting innovation, stakeholder engagement, and organizational resilience.

This transformation reflects a broader shift in corporate purpose, where governance structures increasingly guide firms toward long-term competitiveness and responsible value generation across multiple stakeholder groups.

3.2 Moving Beyond Compliance in Modern Governance

The limitations of compliance-based governance provide a key rationale for this transformation. Empirical studies indicate that excessive regulatory focus may divert board attention from strategic decision-making, thereby limiting firm value creation. Overemphasis on compliance activities can crowd out innovation, strategic planning, and long-term performance initiatives (Agarwal et al., 2022).

Moreover, evolving stakeholder expectations have expanded the role of governance beyond minimum regulatory standards. Investors, regulators, and society increasingly expect organizations to address environmental, social, and governance (ESG) challenges through integrated strategic approaches rather than symbolic compliance practices. Governance frameworks that embed sustainability and stakeholder considerations into corporate strategy demonstrate stronger long-term outcomes than compliance-driven models alone (Shabbir, 2025).



Consequently, modern governance emphasizes integration—linking governance, strategy, and operations—to support resilience, innovation, and sustainable organizational growth.

3.3 Global Trends Supporting Value-Creation Governance

Global institutional developments further illustrate the shift toward value creation governance. The emergence of integrated reporting frameworks has encouraged organizations to explain how governance, strategy, and performance collectively generate value over time. By extending accountability beyond financial disclosure, integrated reporting enhances transparency regarding firms' value creation processes and stakeholder impacts (Lai et al., 2018).

At the organizational level, firms increasingly embed ESG considerations into governance structures, business models, and risk management systems. Governance maturity models highlight a gradual progression from regulatory compliance toward the strategic integration of sustainability into organizational decision-making. This evolution reflects growing pressures from investors and markets rewarding firms capable of demonstrating credible commitments to long-term value creation.

Financial reporting standards and transparency mechanisms also play a bridging role. While initially compliance tools, they increasingly support accountability, investor confidence, and strategic governance alignment, reinforcing governance's contribution to market efficiency and organizational legitimacy.

3.4 Strategic and Stakeholder Dimensions of Value Creation Governance

Value-creation governance fundamentally redefines the role of the board of directors. Rather than serving solely as a monitoring body, boards increasingly function as strategic actors contributing to innovation, risk management, and long-term planning. Effective boards balance regulatory responsibilities with strategic engagement, ensuring that compliance supports rather than constrains organizational value creation (Agarwal et al., 2022).

From a stakeholder perspective, governance must facilitate inclusive decision-making that considers the interests of diverse stakeholder groups. Stakeholder-oriented governance strengthens legitimacy, enhances trust, and supports sustainable performance outcomes by aligning organizational objectives with societal expectations.

Empirical evidence further shows that governance mechanisms integrating ESG factors, diversity, and effective internal controls contribute positively to organizational performance and long-term survival. These mechanisms improve productivity, innovation capacity, and stakeholder confidence, demonstrating that value-oriented governance produces measurable strategic benefits.

The transformation from compliance to value creation marks a fundamental evolution in corporate governance. While compliance remains necessary for legitimacy and risk control, it is no longer sufficient for organizational success. Contemporary governance frameworks increasingly integrate strategy, sustainability, and stakeholder engagement to generate long-term value.



This shift positions corporate governance not merely as a regulatory safeguard but as a strategic capability enabling competitive advantage, organizational resilience, and sustainable performance.

4. Modern Corporate Governance Trends: A Comparative Global Perspective

4.1 Governance Trends in Developed Markets

Corporate governance in developed economies has undergone a significant transformation over the past two decades, shifting from compliance-oriented regulation toward governance systems focused on long-term value creation. In Europe and the United States, regulatory reforms, investor pressure, and sustainability imperatives have collectively reshaped governance practices and board responsibilities.

In Europe, governance evolution has been strongly driven by regulatory initiatives promoting sustainability integration into corporate decision-making. Recent European frameworks emphasize transparency in non-financial reporting and extend board accountability beyond financial performance toward environmental and social impacts. This regulatory progression reflects a transition from voluntary governance codes toward more institutionalized sustainability governance, embedding long-term value creation within corporate oversight structures (Aguilera & Cuervo-Cazurra, 2009; Velte, 2023).

A defining European trend is the emergence of sustainable board governance. Boards increasingly incorporate sustainability expertise, gender diversity, and ESG-linked executive compensation mechanisms. Empirical evidence indicates that such governance configurations improve environmental performance and strengthen organizational accountability. These developments align with broader stakeholder-oriented governance models characteristic of coordinated market economies, where corporate legitimacy depends on balancing shareholder and societal expectations.

In contrast, corporate governance in the United States reflects a market-oriented institutional environment shaped by dispersed ownership and strong capital markets. Governance reforms historically emphasized financial transparency and internal controls, particularly following major regulatory interventions aimed at restoring investor confidence. While these measures strengthened compliance systems, research shows that excessive regulatory pressure may shift board attention away from strategic decision-making, potentially limiting value creation (Agarwal et al., 2022).

More recently, governance transformation in the U.S. has been driven less by regulation alone and more by institutional investors advocating ESG integration, board diversity, and long-term performance alignment. Large asset managers increasingly influence governance agendas through stewardship activities, encouraging firms to integrate sustainability considerations into strategy rather than treating them as compliance obligations.

Across developed markets, integrated reporting represents another major governance innovation. By linking governance, strategy, performance, and future prospects, integrated reporting promotes transparency regarding how organizations create value over time. This



approach encourages integrated thinking within firms and supports a shift from short-term financial reporting toward holistic accountability.

4.2 Governance Trends in Emerging Markets

Corporate governance in emerging markets operates within more complex institutional environments characterized by concentrated ownership, weaker enforcement mechanisms, and stronger state or family influence. As a result, governance reforms often involve adapting global governance norms to local institutional realities rather than directly replicating developed-market models (Filatotchev et al., 2012).

In Asia, governance systems increasingly incorporate sustainability principles while maintaining distinctive ownership structures. Evidence from ASEAN economies shows that board characteristics—such as diversity, foreign representation, and sustainability committees—positively influence ESG performance. These findings suggest a gradual convergence toward global governance practices, although implementation varies according to institutional capacity and regulatory maturity.

India illustrates a hybrid governance model combining mandatory corporate social responsibility requirements with persistent challenges related to symbolic compliance and uneven stakeholder impact. Governance mechanisms such as social audits demonstrate that stakeholder inclusion and transparency can enhance sustainable outcomes when governance moves beyond formal compliance toward shared value creation.

In African contexts, governance reforms are often constrained by institutional limitations, including weak regulatory enforcement and complex supply-chain dynamics. Studies indicate that top-down governance models frequently fail when transplanted without adaptation. Instead, collaborative and locally embedded governance approaches—engaging communities, NGOs, and international organizations—are more effective in improving accountability and protecting vulnerable stakeholders.

Latin American governance systems are shaped by hierarchical market economies dominated by business groups and concentrated ownership structures. While these conditions create governance challenges, recent evidence shows that board independence, diversity, and ESG adoption contribute positively to organizational performance. The growing influence of responsible investment is further encouraging firms to adopt governance models oriented toward stakeholder value creation.

4.3 Comparative Insights: Convergence and Divergence

Comparative analysis reveals both convergence and divergence in global governance evolution. A major convergence trend is the global diffusion of ESG integration, sustainability reporting, and stakeholder-inclusive governance across both developed and emerging markets. Governance increasingly reflects a shared recognition that long-term competitiveness depends on responsible value creation rather than narrow compliance.

However, important differences persist. Developed markets typically address principal–agent conflicts arising from dispersed ownership, whereas emerging markets often face principal–



principal conflicts between controlling and minority shareholders. Institutional quality, legal enforcement, and political economy conditions therefore significantly influence governance effectiveness.

These institutional differences explain why governance mechanisms cannot be universally applied. Practices successful in developed economies may produce limited outcomes in emerging markets unless adapted to local governance ecosystems and stakeholder relationships.

4.4 Implications for Global Governance Best Practices

The comparative evidence highlights several lessons for global corporate governance development. First, governance systems that integrate sustainability, strategy, and stakeholder engagement consistently generate stronger long-term performance outcomes than compliance-focused approaches alone. Governance must therefore function as a strategic capability rather than merely a regulatory safeguard.

Second, effective governance requires contextual adaptation. Global standards should maintain core principles—transparency, accountability, and stakeholder inclusion—while allowing flexibility in implementation across institutional environments.

Finally, emerging governance models increasingly combine robust compliance mechanisms with strategic oversight, integrated thinking, and long-term stewardship. This hybrid approach enables organizations to balance regulatory legitimacy with innovation and sustainable value creation, representing the dominant direction of modern corporate governance worldwide.

5. Case Study and Empirical Framework: Modern Corporate Governance in Leading Chinese Technology Firms

5.1 Case Selection and Research Rationale

This study adopts a multiple case study design to examine the transition from compliance-oriented governance toward value-creation governance within the Chinese institutional context. Alibaba, Tencent, and Huawei were selected as representative cases due to their strategic importance in China's technology sector and their global economic influence.

These firms constitute leading examples of China's technology-driven growth and operate within a distinctive governance environment shaped by state–market interaction, concentrated ownership structures, and evolving regulatory oversight. Their governance arrangements combine globally recognized corporate practices with China-specific mechanisms, offering a suitable context for examining how governance models adapt beyond Western institutional assumptions.

Alibaba and Tencent represent publicly listed platform companies integrated into international capital markets while remaining embedded in domestic regulatory and institutional frameworks. Their governance structures reflect the interaction between global investor expectations, regulatory supervision, and platform-based business models. Huawei provides a contrasting case as a privately held firm characterized by an employee ownership structure and



long-term strategic governance shaped by technological competition and geopolitical pressures.

The selection of these three firms enables comparative analysis across different ownership models and governance configurations within the same national context. This design allows the study to identify both shared governance patterns and firm-specific adaptations, thereby generating empirically grounded insights into how corporate governance evolves toward value creation in emerging-market institutional environments.

5.2 Data Collection Strategy

The empirical framework relies exclusively on qualitative documentary analysis based on secondary data sources. The study adopts a multi-source data collection strategy to ensure analytical reliability and triangulation through publicly available and verifiable corporate disclosures.

5.2.1 Secondary Data Sources

Secondary data constitute the sole empirical foundation of this research. Data are collected from authoritative corporate and regulatory documents, including:

- annual reports,
- corporate governance and sustainability reports,
- regulatory filings,
- investor relations materials,
- official corporate communications.

Annual reports provide systematic information regarding governance structures, board composition, ownership arrangements, executive compensation, risk management practices, and sustainability initiatives. Documents covering the period **2015–2023** are analyzed to capture governance evolution over time, including responses to regulatory changes and market pressures affecting Chinese technology firms.

Corporate governance and sustainability reports provide additional insights into governance mechanisms, stakeholder engagement practices, and value creation strategies. These documents are examined through structured content analysis to assess how governance disclosures connect organizational strategy, risk management, and long-term performance objectives.

For Alibaba and Tencent, international regulatory filings offer an additional layer of externally verified governance disclosure. These filings provide detailed information on ownership structures, governance risks, and related-party transactions, allowing cross-validation of corporate governance information across multiple disclosure channels.

Company websites, investor communications, and official corporate publications are also analyzed to capture governance philosophy, organizational values, and publicly communicated strategic priorities. These materials complement formal reporting disclosures and support a comprehensive understanding of governance practices.



5.3 Analytical Approach

The collected documentary data are analyzed using qualitative content analysis and comparative case study techniques. Governance disclosures are coded thematically to identify patterns associated with the transition from compliance-oriented governance toward value-creation governance.

The analysis focuses on three analytical dimensions:

- governance structures and ownership configurations,
- stakeholder integration and ESG governance practices,
- alignment between governance mechanisms and long-term value creation.

Cross-case comparison enables identification of both common governance patterns and firm-specific adaptations within the Chinese technology sector.

5.3 Key Focus Areas of Analysis

5.3.1 Governance Strategies Employed by the Firms

The first analytical focus examines the governance strategies adopted by Alibaba, Tencent, and Huawei to balance domestic institutional constraints with global competitiveness and stakeholder value creation. The analysis considers ownership structures, board functioning, executive incentives, stakeholder engagement, and sustainability governance (Lundvall & Rikap, 2022; Pearson et al., 2021).

Particular attention is given to governance mechanisms that reflect the interaction between global capital markets and China's regulatory environment. The Variable Interest Entity (VIE) structure, for example, enables foreign investment while preserving domestic control, illustrating how governance arrangements adapt to institutional constraints (Lundvall & Rikap, 2022). Within China's party-state capitalist system, governance strategies are also shaped by state influence and regulatory expectations, requiring firms to align strategic decisions with broader national objectives (Pearson et al., 2021).

The analysis further explores the co-evolutionary relationship between firms and the state. Platform companies such as Alibaba and Tencent have adjusted governance structures in response to evolving regulatory priorities, while Huawei's governance model—characterized by employee ownership and strong internal coordination—reflects adaptation to geopolitical pressures and technological competition (McKnight et al., 2023; Hong & Miao, 2024). These cases collectively illustrate how governance functions as a strategic mechanism rather than a purely compliance-oriented structure.

5.3.2 Challenges in Adopting Modern Governance Practices

The second focus area investigates governance challenges arising from tensions between global governance norms and China's institutional environment. Chinese firms face overlapping principal-agent and principal-principal conflicts due to concentrated ownership, hierarchical control structures, and state oversight (Chen et al., 2021). These dynamics limit the explanatory power of traditional agency theory developed in Western contexts.



Regulatory tightening since 2020—including antitrust regulation, cybersecurity oversight, and restrictions on foreign listings—represents a major governance challenge for platform firms (McKnight et al., 2023). Alibaba and Tencent have been required to restructure governance practices while maintaining innovation capacity and market competitiveness. Huawei faces additional geopolitical constraints linked to international sanctions and technological restrictions, requiring governance adaptation under conditions of external pressure (Hong & Miao, 2024; Záborský et al., 2023).

These challenges demonstrate that governance modernization in China involves continuous negotiation between regulatory compliance, strategic autonomy, and global market participation.

5.3.3 Practices That Effectively Create Stakeholder Value

The third analytical dimension identifies governance practices that contribute to stakeholder value creation. The study evaluates innovation governance, ecosystem development, sustainability initiatives, and internationalization strategies across the three firms (Greeven & Yip, 2019; Wei et al., 2018).

Chinese technology firms frequently combine multiple innovation pathways—including technological, organizational, and ecosystem innovation—supported by governance arrangements that enable rapid capability development (Greeven & Yip, 2019). Institutional asymmetries within China’s economic system further shape innovation-driven value creation by allowing firms to convert resource advantages into long-term capabilities (Wei et al., 2018). Corporate culture also operates as an informal governance mechanism. In Alibaba’s case, organizational culture aligns employee behavior with strategic objectives while mediating relations between firms and state institutions (Tse & Li, 2022). Governance-supported internationalization strategies additionally extend stakeholder value creation beyond domestic markets (Záborský et al., 2023).

5.4 Analytical Framework: Theoretical Integration and Empirical Assessment

5.4.1 Comparative Analysis with Theoretical Frameworks

The analytical framework integrates agency theory, stakeholder theory, and institutional theory to interpret empirical findings. Agency theory is used to examine governance conflicts, particularly the coexistence of principal–agent and principal–principal dynamics in Chinese firms (Chen et al., 2021). Stakeholder theory supports evaluation of governance mechanisms aimed at long-term value creation, while institutional theory explains how governance arrangements are embedded within China’s party-state system (Pearson et al., 2021; Zhang & Chen, 2022).

Rather than privileging a single theoretical lens, the study adopts a multi-theoretical perspective, recognizing that governance dynamics in China reflect hybrid institutional conditions requiring theoretical adaptation.



5.4.2 Identification of Strengths, Weaknesses, and Opportunities for Improvement

The final analytical stage evaluates strengths, weaknesses, and improvement opportunities in the governance arrangements of the three firms. Governance strengths are assessed in relation to innovation capability, global expansion, and regulatory risk management (Greeven & Yip, 2019; Casanova & Miroux, 2024). Weaknesses are examined through identified agency conflicts, transparency limitations, and accountability challenges (Chen et al., 2021).

Opportunities for improvement are identified through comparison with international governance practices, including enhanced board independence, expanded stakeholder engagement, and improved sustainability disclosure (Aslanertik & Yardımcı, 2022; Shabbir, 2025). This comparative assessment enables the formulation of governance recommendations aligned with value-creation-oriented governance while remaining sensitive to China's institutional context.

6. Methodology

This study employs a descriptive qualitative research design using a case study approach to investigate corporate governance practices in leading Chinese technology firms. A qualitative design is particularly suitable because corporate governance is a complex organizational phenomenon shaped by institutional contexts, regulatory environments, and strategic decision-making, requiring in-depth understanding rather than statistical generalization. Adopting an interpretive perspective, the research treats governance practices as context-dependent processes, analyzed through careful examination of organizational documents and institutional frameworks.

The study focuses on three major Chinese technology companies—Alibaba, Tencent, and Huawei—chosen for their global influence, technological leadership, and distinctive governance structures within China's unique institutional environment. This approach allows the analysis of how these firms adapt governance mechanisms to balance regulatory compliance, stakeholder expectations, and long-term value creation.

The descriptive qualitative method is particularly appropriate in the Chinese context, where governance operates within a complex system involving interactions between state authority, market forces, and private enterprise. By examining governance as a practical, evolving process reflected in organizational disclosures and strategic communications, and by relying on secondary documentary evidence, the study overcomes the limitations of direct access to executives or internal data.

Furthermore, analyzing multiple types of documents over an extended period enables identification of governance transformation patterns and strategic adaptation processes. Overall, this descriptive qualitative case study design provides a coherent methodological framework for generating contextually grounded insights into modern corporate governance practices in China's technology sector.



7. Conclusion

This study examined the transformation of corporate governance from a compliance-oriented model toward a value-creation-oriented approach in leading Chinese technology firms, focusing on Alibaba, Tencent, and Huawei. Through qualitative analysis of secondary data and comparative case study evaluation, the research provides insights into how governance practices evolve within China's distinctive institutional and political-economic environment.

The findings demonstrate that corporate governance in Chinese technology firms cannot be fully explained through conventional Western governance frameworks without contextual adaptation. Governance structures in China operate within a hybrid system shaped by market mechanisms, state influence, and organizational strategy. The coexistence of multiple stakeholder interests—including controlling shareholders, minority investors, employees, and state actors—creates governance dynamics that differ significantly from traditional agency-based models. As a result, governance effectiveness in the Chinese context depends less on formal compliance mechanisms alone and more on the capacity of firms to balance institutional expectations with long-term strategic objectives.

The study further shows that the transition from compliance to value creation is neither linear nor uniform. Instead, governance development emerges as an adaptive and continuous process influenced by regulatory evolution, geopolitical pressures, technological competition, and organizational learning. Regulatory tightening in China has simultaneously increased compliance demands while encouraging firms to strengthen transparency, risk management, and stakeholder engagement practices. Huawei's governance model illustrates an alternative pathway grounded in employee ownership and long-term innovation orientation, whereas Alibaba and Tencent demonstrate governance adaptation within platform-based ecosystems exposed to global capital markets and domestic regulatory oversight.

From a theoretical perspective, the research highlights the limitations of single-theory explanations of corporate governance. The findings support a multi-theoretical interpretation integrating agency theory, stakeholder theory, and institutional perspectives. Governance outcomes appear to result from the interaction between formal governance mechanisms and informal institutional factors such as corporate culture, political embeddedness, and strategic alignment with national innovation objectives. This confirms that governance quality and organizational performance are context-dependent rather than universally determined by adherence to standardized governance models.

Empirically, the study identifies persistent structural challenges within Chinese corporate governance, including ownership concentration, complex control hierarchies, and tensions between majority and minority shareholder interests. Nevertheless, the evidence suggests that strong innovation capacity and strategic positioning may coexist with governance arrangements that diverge from international best-practice standards. This finding contributes to ongoing debates regarding the relationship between governance structures and firm performance, suggesting that governance effectiveness should be evaluated relative to institutional context rather than through universal benchmarks.



The study also underscores the strategic importance of modern corporate governance practices for firms and stakeholders. Governance frameworks oriented toward multi-stakeholder value creation enhance organizational legitimacy, strengthen stakeholder trust, and support sustainable competitiveness in increasingly complex global markets. For technology firms operating under heightened international scrutiny, governance transparency and ethical accountability play a critical role in maintaining reputation and facilitating global expansion. At the policy level, effective governance contributes to investor protection, market stability, and the alignment of technological innovation with broader societal objectives.

Despite its contributions, the study acknowledges several limitations that open avenues for future research. First, the analysis focuses on a limited number of technology firms; expanding research to additional industries and ownership structures would enhance generalizability. Second, longitudinal studies examining governance evolution over extended periods could provide deeper understanding of adaptive governance processes under changing regulatory conditions. Third, comparative research across emerging economies would help determine whether the governance dynamics identified in China reflect broader patterns in emerging market capitalism. Finally, future research should explore how digital technologies—including artificial intelligence, big data, and blockchain—are reshaping governance mechanisms, transparency practices, and stakeholder participation.

In conclusion, this study argues that modern corporate governance in Chinese technology firms represents an evolving model that moves beyond compliance toward strategic value creation. Rather than converging fully with Anglo-American governance norms, Chinese firms are developing contextually embedded governance arrangements that integrate state coordination, market competition, and organizational innovation. Understanding these hybrid governance models is essential for advancing global corporate governance theory and for developing more inclusive frameworks capable of reflecting institutional diversity in the contemporary global economy.

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