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Green Scandal Implementation on Corporate Social Responsibility Reporting: A Systematic Literature Review

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A R T I C L E I N F O

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A B S T R A C T

This research aims to analyze and examine empirical evidence regarding corporate green scandals in the disclosure of Corporate Social Responsibility. Using the Systematic Literature Review method by taking previous research data. Researchers selected samples from several literature that had been obtained through Simplified Approach analysis in order to simplify each finding. Thus, 30 articles were obtained that were considered relevant in this research to answer the research questions that had been formulated. From the research, it was found that CSR disclosures carried out by companies are a form of legitimacy and are expected to provide the view that organizations are continuously trying to create harmony between the social values inherent in a company's activities and the behavioral norms that exist in the social system of society. CSR implementation should be an initial investment because it can provide long-term benefits to the company.

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INTRODUCTION

The social environmental impact resulting from various company activities is increasingly worrying. Environmental problems are increasing day by day and have the potential to cause disasters. One of the causes of environmental damage is the activities of companies that exploit natural resources excessively and cannot be controlled if they are not accompanied by awareness of the company's environmental and social responsibilities. So companies are required to make social responsibility reports or better known as Corporate Social Responsibility (CSR).

CSR implementation is the result of stakeholders' concerns regarding the social and environmental implications of corporate activities and corporate governance reforms throughout the world (Zainal & Zainuddin, 2013). CSR is a form of corporate social contract that is increasingly being adopted by companies as a way to gain legitimacy in the eyes of stakeholders.

CSR has become quite controversial. Apart from financial reports, large companies, especially companies operating in the natural resources sector, are required to link additional information in the form of environmental and social reports. Law Regulation no. 40 of 2007 concerning Limited Liability Companies which regulates businesses that use natural resources are obliged to disclose CSR as a form of responsibility for social actions that exceed the company's interests and is required by law (McWilliam and Siegel (2001). For several companies regulated in Law Number 40 of 2007 2007, indeed CSR reports are mandatory. However, for companies that are outside the provisions of this law, they are not obliged to attach information on their social environmental reports. Something that is not mandatory has a special motive behind it if it is carried out voluntarily. This is related to the theory of legitimacy which states that Disclosure of social responsibility is carried out by companies to gain legitimacy from the community where the company is located.

The information contained in CSR can be used as evaluation material for companies so that they can be sustainable by paying attention to social environmental aspects which are the driving force of business activities, especially for companies that really involve the role of the environment as the main material in their business. Apart from that, the company can indirectly strengthen the legitimacy it obtains from the wider community.

CSR is a form of accountability to all parties involved directly or indirectly in the company which contains information on company performance. Implementing CSR consistently in the long term will foster a sense of public trust in the company's presence. The implementation of CSR is generally related to social responsibility, namely the community, such as issues of education, health, community economic development and only a few companies carry out their responsibilities towards the environment.

However, many companies only create CSR as a form of justification for non-transparency and illegal business activities just for the sake of the company's image. Companies shining with promises of a greener and more sustainable future cause green scandals that need to be questioned by stakeholders. In this case, the public has the right to question, research and demand transparency and honesty from global corporations, so that their ongoing commitment is not just empty talk. Legitimacy theory and accountability are two concepts that are relevant in the context of CSR reporting, where legitimacy theory refers to how a company maintains support from stakeholders and society in its business operations. Meanwhile, in terms of accountability, the company must be responsible for reporting the company's CSR, both in terms of reporting, measuring and evaluating CSR in a transparent manner.

Based on the description above, the topic discussed in this research is: how the implementation and implications of CSR for companies affect stakeholders.

LITERATURE REVIEW

Corporate Social Responsibility (CSR)

CSR is broadly defined as corporate policies and practices that go beyond the pursuit of profit or legal requirements, and has become a strategic imperative in many industries (Du, Bhattacharya, & Sen, 2015). Thus, more and more companies around the world are utilizing CSR to gain competitive advantage and realize long-term success (Porter & Kramer, 2011).

Stakeholder groups related to a company's CSR engagement also play an important role in shaping external stakeholder perceptions and evaluations of a company's CSR (Collier & Esteban, 2007; McShane & Cunningham, 2012). From an internal perspective, companies benefit from having employees with positive perceptions of CSR programs through increased organizational identification (Ashforth, Harrison, & Corley, 2008; McShane & Cunningham, 2012). CSR can be structured into the following four core domains (Farooq, Farooq, & Jasimuddin, 2014): (1) customer-oriented CSR is the company's responsibility towards customers, (2) employee-oriented CSR is in accordance with company initiatives that ensure the welfare of its employees, (3) environmentally oriented CSR is the company's responsibility to the natural environment, and (4) philanthropy-oriented CSR recognizes the company's responsibility to society.

In this case, CSR reporting becomes a manifestation of the application of legitimacy theory where companies try to meet the expectations of society and stakeholders. By using CSR reporting, companies can create a more positive perception of themselves and reduce the impact of poor environmental performance. However, this research also shows that CSR reporting can be an obstacle to improving a company's environmental performance in the future. This is because companies may focus more on a positive image than improving their environmental performance. Therefore, it is important for companies to remain committed to improving their environmental performance, rather than relying solely on CSR reporting.

Legitimacy and accountability theory

Legitimacy theory was first put forward by Dowling and Pfeffer (1975), legitimacy is important for organizations, the boundaries of which are emphasized by social norms and values, and reactions to these boundaries encourage the importance of analyzing organizational behavior by paying attention to the environment. This is in line with research by O'Donovan (2002) which explains that legitimacy theory is a factor that explains environmental disclosure by an organization.

In the perspective of legitimacy theory, a company will voluntarily report its activities if management considers that this is what the community expects (Deegan, C: 2000). Based on this description, legitimacy theory places more emphasis on people's welfare in order to gain power or a good image in the eyes of society. Legitimacy theory states that companies with worse environmental performance are expected to provide more extensive environmental disclosures or positive environmental disclosures in their financial reports. This theory emphasizes that organizations conducting business must ensure that their operational activities comply with the boundaries, norms, values and ethics that apply in society (Deegan, 2009 in Sarra & Alamsyah, 2020). With this theory, companies are required to have environmental social responsibility so that their legitimacy continues to be recognized by society (Du & Vieira, 2012 in Sarra & Alamsyah, 2020).

Meanwhile, according to UNDP (United Nations Development Program), accountability is an evaluation of the process of implementing organizational activities/performance to be accountable and as feedback for organizational leaders to further improve organizational performance in the future. The principle of accountability is who is responsible, to whom they are responsible, for what they are responsible, and what are the consequences of that responsibility.

Mashaw (2006) states that accountability is a concept regarding behavior to monitor other parties, assess whether they have fulfilled their responsibilities, and apply sanctions if these responsibilities have not been fulfilled. Thus, accountability is the provision of information and disclosure of organizational activities and performance to interested parties.

Stakeholders

In CSR practice, stakeholders focus more on society and government which are closely related to social life. According to Idrawahyuni, et al. (2020) companies as part of a social system entity in society as a whole, where a reciprocal relationship is created between the company and society. The stakeholder role of these elements determines the smooth running of the industry in the midst of people's lives. Creating harmonious relationships and implementing good values or ethics for all stakeholders is the basis of business (Freeman and Dmytryev, 2017).

Companies no longer exclude themselves from stakeholders so that with this kind of relationship pattern, the direction and goals of the company are no longer oriented towards accumulating maximum wealth but rather towards achieving sustainable development (Lesmana and Tarigan 2014: 108). Ackermann & Eden (2010) show that there are 4 quadrants that describe the role of stakeholders in terms of their strengths and interests with measurement. Stakeholder power is a description of how much influence stakeholders have in providing outcomes for a project or group. Meanwhile, stakeholder interests determine the impact of the project on stakeholders. The combination of the two can determine how the project will be achieved with the involvement of stakeholders.

Therefore, it can be concluded that stakeholder theory is a theory which says that the sustainability of a company cannot be separated from the role of stakeholders, both internal and external, with various backgrounds of different interests from each existing stakeholder. CSR can be a company strategy to fulfill the interests of stakeholders in non-financial company information related to social and environmental impacts arising from company activities. The better CSR disclosure by the company will make stakeholders provide full support to the company for all its activities aimed at improving performance and achieving expected profits

METHODOLOGY

This research uses a literature review approach which involves in-depth analysis of relevant and previously published literature. The literature review is a very important method in this research because it allows the author to establish a solid theoretical foundation and understand the latest developments in the field of CSR research, theories of legitimacy and corporate responsibility and their implications for the company and stakeholders.

The data or article search strategy uses databases available on the e-resource Google Scholar, Elsevier and other journal publication platforms. After selecting samples from several literature that had been obtained through the Simplified Approach analysis, 30 articles were deemed relevant in this research to answer the research questions that had been formulated.

RESEARCH RESULTS & DISCUSSION

Application of Legitimacy Theory in Companies

The application of legitimacy theory in companies involves efforts to maintain and improve the company's positive image in the eyes of stakeholders, such as society, investors, government, and others. This theory emphasizes that companies need to ensure that their existence and activities are considered legitimate, accepted, and recognized as an important and desirable part of society.

A company's CSR disclosure can be part of a legitimacy strategy, either as a form of obligation or as a reflection of their ethical commitment. Companies need to ensure that the CSR they carry out is not only to gain legitimacy, but is also a form of commitment to social and environmental responsibility. The successful application of legitimacy theory in CSR depends on the continuity and substantiality of CSR efforts, not just image. Thus, the application of legitimacy theory in companies involves open and transparent communication regarding company activities and performance which includes social, environmental and governance dimensions.

Legitimacy theory encourages companies to carry out environmental responsibilities so that they appear legitimate in the eyes of society. Companies will tend to act according to the wishes of society, namely being able to be responsible for the environment. The relationship between legitimacy theory and this research shows that CSR disclosures carried out by companies as a form of legitimacy are expected to provide the view that organizations continuously strive to create harmony between the social values inherent in an organization's activities and the behavioral norms that exist in the social system of society.

Implications of CSR for Stakeholders and Company Legitimacy

The responsibility communicated by the company to stakeholders through disclosure (CSR) is a signal given by management to all stakeholders including potential investors regarding the company's future prospects and shows the added value that the company has for its concern for the economic, social and environmental impacts that arise. from company activities. Differences in interests between society and companies regarding assessments and expectations give rise to legitimacy.

CSR initiatives can be considered as a tool to cover up a company's social and environmental harm, sometimes labeled as window dressing (Connors, Anderson-MacDonald, & Thomson, 2017) or greenwashing, when a company misleads shareholders about its environmental practices or the environmental benefits of a product. or services (Seele & Gatti, 2017; Siano, Vollero, Conte, & Amabile, 2017). To avoid this kind of negative reaction, CSR engagement must be sincere and aligned with the company's core values (Alhouti, Johnson, & Holloway, 2016; Beckman, Colwell, & Cunningham, 2009; Mazutis & Slawinski, 2015; McShane & Cunningham, 2012) a concept recently labeled CSR authenticity (Beckman et al., 2009; McShane & Cunningham, 2012). Perceived authenticity can reduce unfavorable outcomes such as perceptions of window dressing or greenwashing.

Implementation of CSR for the Company

CSR can be seen as an additional cost because companies have to allocate resources and budgets to implement CSR programs. This includes funds for social, environmental, charitable activities and community projects undertaken to benefit the community or environment around the company. In this perspective, CSR is considered as a deduction from company profits or an allocation of funds that can be used to develop the business directly.

However, many companies view CSR as a long-term investment. Through CSR, companies can build and strengthen their reputation in the eyes of society and stakeholders. Investments in CSR can bring long-term benefits such as improved corporate image, increased attractiveness to qualified prospective employees, increased consumer confidence, and reputational benefits that can have a positive impact on financial performance and long-term growth. Additionally, a focus on sustainability and social responsibility can also drive innovation, operational efficiency and better risk management.

Thus, while CSR may require an initial investment, its long-term benefits can compensate for those initial costs and even generate sustainable profits for the company. This view emphasizes that CSR is not just about complying with ethical or regulatory obligations, but also about creating long-term value for companies and society.

CONCLUSIONS AND RECOMMENDATIONS

The implementation of CSR in various companies is legitimizing, namely placing public perception and recognition as the main impetus in disclosing information in financial reports. This is because there is still a lack of standardization of assessments related to definite CSR reporting measurements, so that companies make CSR a function of the company's strategy in positioning itself in society and the surrounding environment. Legitimacy theory views that a company will voluntarily report its activities if management considers that this is what the public expects. Assessment of corporate CSR disclosure as a method used by companies to respond to public pressure.

CSR is a form of corporate social responsibility towards the environment where companies strive to have a positive impact on society and the environment, apart from the goal of financial profit. In implementing CSR, legitimacy relates to how the company maintains support and legitimacy from stakeholders. This includes understanding stakeholder expectations, adhering to appropriate values and ethics, and communicating transparently about CSR activities.

ADVANCED RESEARCH

One of the limitations in writing this article is that references related to the topic of Legitimacy and Accountability in implementing CSR are still limited and the author does not have enough time to obtain more references. In the future, it is hoped that we can increase the number of references and carry out research to the fullest as well as carry out special research on several companies that are directly involved in processing natural resources as their main product.

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