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Corporate sustainability towards creating shared value: an empirical quantitative evidence from Indonesia

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Abstract

This study aims to provide empirical evidence of the influence of sustainability proxied by the five bottom line (FBL), which consists of financial, environmental, social, governance, and empowerment towards creating shared value (CSV) in Indonesia. The results show that sustainable companies can create CSV. If FBL is seen partially, the financial, environmental, and empowerment performance can influence CSV positively in the following 2–3 years. Meanwhile, social performance can influence CSV negatively in the next 2 years. Governance performance has been unable to influence CSV within the observed period of up to the next 4 years. The research novelty is to provide empirical evidence on using sustainability (FBL) that can influence CSV and also a preliminary study in Indonesia. Theoretical implications of this study provide empirical evidence sustainability can influence CSV. Practical implications of this study are to implement sustainability with FBL proxy to create CSV in 2–3 years, the company's efforts in achieving CSV can be viewed as a long-term investment rather than as an expense, the extent of disclosure of FBL should be improved, to increase the external assessors in assessing the SR (sustainability report), and it is necessary to standardize the disclosure of sustainability reports in collaboration with regulators.

Keywords Five bottom line · Triple bottom line (TBL) · Sustainability · Creating shared value (CSV) · Indonesia

Abbreviations

ASEAN	The Association of Southeast Asian Nations
BAPEPAM-LK	Badan Pengawas Pasar Modal dan Laporan Keuangan (Indonesia Financial Services Authority Regulation)
CG	Corporate governance
CLERP	Corporate law economic reform program
CSP	Corporate social performance
CSR	Corporate social responsibility
CSV	Creating shared value
ESI	Environmentally sensitive industry

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FBL	Five bottom line
GHG	Greenhouse gas
IDX	Indonesia stock exchange
OECD	The organization for economic co-operation and development
OJK	Otoritas Jasa Keuangan (Indonesia financial services authority)
OLS	Ordinary least square
PLN	Perusahaan Listrik Negara (Indonesia state electricity corporation)
SR	Sustainability report
SRA	Sustainability reporting award
TBL	Triple bottom line

1 Introduction

1.1 Overview of the problem

In today's globally interconnected and changing socioeconomic and political environment, we have witnessed fast technological changes, a recurrence of the financial crisis, a shift of economic power from West to East, increased global financial crises, increased global political awareness, and growing geopolitical disputes. At the same time, there continue to be global problems of poverty, malnutrition, health care, and illiteracy among the vast majority of the population in the world. The issues of climate change and energy security are likely to increase the misery of poor people and underdeveloped countries. The solutions to these problems require resources and willingness. Most governments, especially in developing countries, have willingness but lack resources. On the other hand, worldwide, economic activities are being increasingly organized by corporate entities, as Governments, lacking resources, are seen withdrawing from economic and welfare activities. Despite varying institutional governance systems, enterprises have become dominant economic and political players in all countries. The enterprises are also adding to the climate change problems. However, the economic resources and technology owned and managed by these enterprises are massive. It is therefore expected, and is also being debated at all the global economic forums, that these enterprises should be encouraged and motivated to help mitigate the social and environmental problems of poverty, illiteracy, and climate change (Kaul, 2014). Companies need to sustain to cover such problems in the business world. Sustainability practices correct each of these failures and lead to long-term growth. Sustainability addresses all aspects of business and markets, from strategic decisions to operations, performance, and disclosure of sustainability information to investors and financial markets that could prevent future economic, social, ethical, governance, and environmental crises. Integrated business practices and reporting are vital to fostering sustainability (Brocket & Rezaee, 2012).

To achieve corporate sustainability, the company uses the TBL (triple bottom line) concept, also known as the 3P concept: People, Planet, and Profit. The company's performance is not only measured by the financial aspect (profit). Still, it has developed into a company's sustainability performance by paying attention to the community (people) and the environment (planet). This concept is vital because businesses must play an essential role in achieving sustainable development objectives. Companies must be responsive to competition and strategic challenges to be a going concern on the environment and social justice for consumers. The TBL concept will be essential in a business in the next century

(Elkington, 1994). The TBL concept is expanded into five elements called extended-TBL or FBL (Five Bottom Line), which consists of financial, environmental, social, governance, and empowerment aspects (Ratnatunga & Jones, 2012).

Extended TBL is the basis for the creation of sustainability. Its definition is the development that meets the needs of the present world without compromising the ability of future generations to meet their own needs (Brundtland, 1987). The importance of each aspect of FBL can be described with the financial aspect as the basis for the social aspect and then also the basis for the environmental aspect (Giddings et al., 2002). Social aspects include governance and empowerment. The financial aspect plays an essential role in building social and environmental aspects. A more accurate picture of the relationship between economic, social, and environmental aspects is to draw three rings with economic meaning that will be "nested" in society, which in turn will be "nested" in the environment (Lovelock, 1995).

It's essential to have a good competitive advantage and a good financial performance to sustain, especially in developing countries (Abid et al., 2023b), attaining sustainable business performance (Abid et al., 2023a). Companies need to have innovation to achieve good enterprise performance (Wang et al., 2022) and implement innovation (Wang et al., 2023). Green HR and environmental performance in developing countries (Aftab et al., 2023) and how to get a green-oriented crowdfunding campaign (Abid et al., 2022).

If the company runs FBL, the company will be sustained, and the company can create CSV (Creating Shared Value) by building a profitable business and providing tangible social benefits. The CSV concept involves creating economic value that benefits society by focusing on needs and challenges. Businesses must re-align between corporate success and social development. CSV is not a social responsibility, philanthropy, or sustainability but a new way to achieve economic success (Porter & Kramer, 2011). This concept creates new opportunities for corporate financial performance, competitive advantage, and social benefits by unleashing the power of business to help solve fundamental global problems (McKinsey, 2011).

Scholarly research on TBL mainly found the influence of one aspect of TBL on other aspects of TBL. For example, first, the influence of environmental performance on financial performance (Russo & Fouts, 1997; Hart & Ahuja, 1996; Al-Tuwaijri et al., 2004; Pogutz & Russo, 2009; Isabel-Maria & Jose-Manuel, 2012; King & Lenox, 2001; Freedman & Jaggi, 1992; Sarumpaet, 2005; Octaceria & Rahardja, 2020). Second, the influence of social performance on financial performance (Waddock & Graves, 1997; Orlitzky, 2005; Fauzi & Idris, 2009; Alexander & Buccholz, 1978; Abbot & Monsen, 1979; Aupperle et al., 1985; Blackburn et al., 1994; Aritonang & Rahardja, 2022). Third, the influence of governance performance on financial performance (Mendes & Alves, 2004; Drobetz et al., 2005; Al Farooque et al., 2007; Yermack, 1996; Gruszczynski, 2006; Rui et al., 2002). Fourth, the influence of empowerment performance on financial performance (Vance, 2006). Therefore, we would like to study the FBL (financial, environmental, social, governance, and empowerment) comprehensively as the development of TBL.

1.2 The gap in the literature

The research on CSV started with Porter and Kramer (2006), and then the term CSV was formally defined in a Harvard Business Review. They have a vision that policy and operational practices will encourage companies to be more competitive while improving the economic and social conditions of the communities in which they operate (Jones et al., 2018). The aim of Porter and Kramer is that CSV will replace CSR (Kaul, 2014). CSV must be superior to CSR in directing the company's investment towards society. CSR programs mainly focus on reputation and have little relationship with their business, making it difficult for companies to maintain these long-term CSR activities. CSV is an integral part of the company's profitability and competitive position. CSV leverages the company's unique resources and expertise to create economic value by creating social value. The most crucial factor is that CSV is an opportunity to re-legitimize the business. CSV strategy is unique and tailored for each company. In creating CSV, companies can use the three levels: reconceiving products and markets, redefining productivity in the value chain, and enabling cluster development. Opportunities to create CSV will vary at each level with different industries, companies, and geographies, depending on how the company's business and strategy intersect with social issues.

Scholarly CSV studies with descriptive approach mainly literature review such as CSV in the marketplace (Daudigeos & Valiorgue, 2011), the extension of Porter and Kramer's CSV (Moon et al., 2011), revisiting the role of CSV in the business-society relationship (Aakhus & Bzdak, 2012), CSV in social innovation and new business models (Michelini, 2012), proposition on Porter and Kramer's CSV as an incomplete mental model (Hartman, 2013), criticism on Porter and Kramer's CSV as an reinvention on capitalism and not a new concept (Beschorner, 2014; Corazza et al., 2017; Crane et al., 2014; Daood, 2019; Dembek et al., 2016; Kettner, 2017; Moon & Parc, 2019), CSV through inner knowledge creation (Corner & Pavlovich, 2016), the ethical framwork of CSV (de los Reyes et al., 2017), CSV in a transaction cost perspective (Acquier et al., 2017; Obaze, 2020), Criticism on Porter and Kramer's CSV on the role of scholars in their interaction with practitioners (Beschorner & Hajduk, 2017), From CSR to preliminary CSV concept (Wójcik, 2016), lacks of empirical evidence, blocking transformative innovation (de los Reyes & Scholz, 2019), CSV's norms-driven framework (Lee, 2019), mitigate externalities with CSV (Mendy, 2019), CSV is a new concepts and companies can gain economic value by solving social problems (Kullak et al., 2021).

The CSV research on empirical studies is still limited (Crane et al., 2014; Strand & Freeman, 2015; Dembek et al., 2016; Wójcik, 2016; Beschorner & Hajduk, 2017; Jones et al., 2018; de los Reyes & Scholz, 2019; Wang et al., 2022, 2023). Scholarly empirical research of CSV primarily the case study of CSV implementation in companies, such as CSV as a differentiation strategy in BASF Brazil (Spitzeck & Chapman, 2012), CSV through expanded conscious awareness in Yoga's clothing industry in Indonesia and New Zealand (Pavlovich & Corner, 2014), CSV of Tetra Pak in Sweden (Hules & Xie, 2015), CSV in water stewardship (Orr & Sarni, 2015), sustainability and shared value in the interwar Boliden Swedish copper industry (Bergquist & Lindmark, 2016), CSV meets human rights in small sized Finland's banking industry (Ilmarinen & Murat, 2018), CSV and an Italian cluster initiative in food waste prevention (Alberti & Belfanti, 2019), CSV between the insurance industry in Ansvar Sweden (Bergquist & Eriksson, 2019), CSV in agricultural value chain (de Zegher et al., 2019), CSV in an industrial conurbation in UK's ceramics clusters (Jackson & Limbrick, 2019), CSV Clusters in Austria's SMEs (Yelpo & Kubelka, 2019), CSV during site decommissioning in Italy's energy industry (Arena et al., 2020), CSV from collaborative logistics systems of ES3 and Flexe in the USA (Shin, 2020), CSV for Sustainable Development (Yang & Yan, 2020), CSV meets human rights in Latin America SMEs (Giuliani et al., 2021), CSV by the university in Poland's university (Karwowska, 2021).

The CSV studies in the Indonesia context are primarily empirical and case studies, for example, the implementation of CSV in the milk industry, company Nestle (Putri &

Triyono, 2020) and (Singkali, 2022), CSV impact on the milk industry (Prafitri, 2017) and social embeddedness on fresh milk development program (Ardhani & Yovani, 2022). Next, in the energy sector, the influence of human rights to CSV at British Petroleum in the Papua area (Martha & Logahan, 2016), implementation of CSV in community empowerment at PLN (Indonesia state electricity corporation) in the Rembang area (Ristanto et al., 2023). Then, in the tourism industry, there is a rise in competitiveness through CSV in Banten (Indrajaya et al., 2022) and the development of marine tourism through CSV in the Malang area. Thus, in the fertilizer industry, the impact of CSV on fishermen in the Bontang area.

The scholarly CSV empirical studies with latent variables have been done with the perception of CSV through implementing green practices for star hotels in Taiwan (Hsiao & Chuang, 2016), CSV in social enterprises in French and Spain (Campos-Climent & Sanchis-Palacio, 2017), CSV to firm performance in Korea (Yoo & Kim, 2019), leadership in CSV from the public's perspective in Germany and China (Chen et al., 2020), linking CSV to customer behaviors in Korean food service industry (Ham et al., 2020), CSV and fan loyalty in the Korean professional volleyball team (Kim et al., 2020), CSV and CSR affect organizational performance in Korea (Park, 2020), CSV on hotels online reputation in Spain (Fernández-Gámez et al., 2020), CSV and sports employees' job performance in China (Wu et al., 2020).

For the scholarly CSV empirical studies with manifest variables, we have found that the closest sustainability studies towards CSV, first, the influence of financial performance towards CSV using manifest variables by Jones et al. (2018) in collaboration with CAER, Australia. The results of their research stated that financial performance has a positive effect on CSV. The CSV measurement was from Porter and Kramer (2011). So, this study only uses one aspect of FBL (financial performance) towards CSV. Second, the influence of environmental performance towards CSV (Rahardja et al., 2021). The result shows that environmental performance could influence CSV in the next 2 years but could not influence the CSV in the same year, the next 1 year, the next 3 years, or the next 4 years. This study only uses one aspect of FBL (environmental performance) towards CSV. Based on the explanation above, we have found the research gap. We want to investigate the influence of corporate sustainability proxied by FBL towards Creating Shared Value empirically in Indonesia with the quantitative approach using manifest variables. This study will also examine the influence of sustainability towards CSV from the same year until the next four years.

This research will contribute to the literature in several ways related to the evidence on sustainability and CSV studies. First, using FBL measurement (Financial, Environmental, Social, Governance, and Empowerment aspects) as the proxy of sustainability from Ratnatunga & Jones, (2012). Second, the usage of CSV measurement of reconceiving products and markets, redefining productivity in the value chain and enabling cluster development from the business and social results from Porter et al. (2011). Third, sustainability will create CSV (McKinsey, 2011). Fourth, the influence of sustainability towards CSV in the short term and long term (Rixen et al., 2013). CSV also offers an initial framework for creating long-term conditions and business sustainability so that CSV cannot be seen as a short-term expense but as a long-term investment. The research conducted by Jones et al. (2018) only examined the influence of financial performance on CSV in the same year, even though the impact of CSV can also be seen in the long term and not in the same period because companies need time to create CSV. Fifth, this research is preliminary in Indonesia. This empirical research on CSV is primarily found in developed countries, such as the USA, the UK, and Australia. The sustainability reports have been published since 2006, and they provide an initial overview of the development of CSV in Indonesia.

Moreover, the findings of this study reveal that sustainable companies can create CSV. If FBL is seen partially, the financial, environmental, and empowerment performance influence CSV positively in the following 2–3 years. Meanwhile, social performance will influence CSV negatively in the next 2 years. Governance performance has been unable to influence CSV within the observed period of up to the next 4 years.

2 Research objectives

Our research objective is to investigate the empirical study of the FBL influence towards CSV in Indonesia using manifest variables. We want to see the effect of FBL to CSV in the same year until 4 years ahead. Indonesia as an emerging country, began to have SR (Sustainability Report) in 2006, so that it is very interesting to conduct this preliminary study.

3 Research implications

This research has practical implications. First, investors want companies to provide comprehensive performance reports, not only financial performance but also non-financial performance, which can assist investors in better assessing the company's performance (Ratnatunga & Jones, 2012). By implementing CSV, it will assist investors in achieving corporate social and performance goals. Second, the company's management can participate in compiling financial, environmental, and social performance to reach the sustainability stage and create a unique and different CSV for each company. Third, the regulator, CSV reporting, is not separated from CSR (Corporate Social Responsibility) reporting because CSR reporting is the basis for CSV reporting (Porter & Kramer, 2011). CSR Reporting regulates the presentation of information regarding CSR in a separate section, regulated by BAPEPAM-LK (Capital Market and Financial Institution Supervisory Agency) in Indonesia under Financial Services Authority Regulation (POJK) No. 29/POJK.04/2016 concerning Submission of Annual Reports of Issuers or Public Companies. The CSR report has also developed into a sustainability report, discussing social activities and environmental aspects. Meanwhile, CSV reports are still limited, but several large companies in Indonesia have started doing it. The nature of CSV reports is still voluntary. Regulators in Indonesia have not regulated it, so policymakers can make policies related to the content and reporting standards of FBL disclosures so that they are easier to analyze.

Along with increasing public pressure for transparency, regulators are expected to focus on sustainability reports (Brocket & Rezaee, 2012). Fourth, for the accountants, the research is expected to contribute to the accounting profession by expanding its scope of work in making financial reports and preparing CSR reports, sustainability reports, and CSV reports. Accountants tend to focus on techniques and results, for example, assurance in the form of numbers in reports (Dillard, 2011). From the internal side, the accounting profession can involve investors to determine the FBL information needed to create and maintain company value, which is helpful for internal decision-makers and potential investors(IFAC, 2012). The role of accountants in disclosures of CSV reports is to measure the results of implementing CSV and find new benefits for companies because CSV is unique and different for each company (Porter et al., 2011). In addition, the accounting profession from the external side can become an external assurer because it is considered more cautious, and its approach is limited (O'Dwyer & Owen, 2005). A survey states that the accounting profession dominates the world assurance market in as much as 70% of the companies that are members of the G250 and 65% of the N100 sustainability reports, guaranteed by the Big 4 Public Accounting Firm (KPMG International, 2008). Last, the research is expected to increase public awareness of the importance of social and environmental factors built by sustainable companies. The community can pressure companies to be transparent in running their business (Brocket & Rezaee, 2012), even though sustainability and CSV reports are still voluntary.

3.1 The structure of the paper

The research paper consists of several chapters, namely, 1. Introduction that explains the overview of the problems, the gap in the literature, 2. research objectives, 3. research implications, and 3.1. the structure of the paper; 4. Literature Review explains the theories and hypotheses development; 5. The method describes the research method, period, sample, and measurements. 6. Statistical analysis instruments and empirical model; 7. Empirical results explain descriptive statistics, model specification test, and parameter significance test; 8. The conclusion of the study's overall results explains research implications, 9. research limitations, and recommendations for future research.

4 Literature review

4.1 Political economy theory in the financial bottom line

The theory that underlies the financial bottom line is the theory of political economy, which defines the social, political, and financial framework within which human life occurs. This theory underlies management's decision to do or not do something, depending on economic interests (Cooper & Sherer, 1984). It suggests that companies can solve the problem of customer information asymmetry by relying on CSR activities (Siegel & Vitaliano, 2006). The political economy theory will produce the legitimacy theory and stakeholder theory.

4.2 Legitimacy theory in the environment bottom line

This environmental bottom line is based on legitimacy theory with the definition "…a system-oriented view of organization and society…" permits us to focus on the role of information and disclosure in the relationship between organizations, the state, individuals, and groups (Gray et al., 1996). This definition implies that legitimacy is a company management system oriented towards organizations, governments, individuals, and communities. Therefore, the company's activities must align with society's expectations.

4.3 Stakeholder's theory in the social bottom line, governance bottom line, and empowerment bottom line

The theory that underlies the social bottom line is stakeholder theory. The definition of stakeholder theory is any identifiable group or individual who can affect the achievement of an organization's objectives or is affected by the achievement of an organization's objectives (Freeman & Reed, 1983). Stakeholder theory consists of (1) Ethics (moral) or normative, which argues that all stakeholders have the right to be treated fairly by the company, and (2) Positive (managerial), which explains that the company's management will tend to achieve the expectations of specific stakeholders (in power) only. According to this view, companies are considered part of a more extensive social system, especially considering stakeholder groups in society and managing them well if the company is to survive (Gray et al., 1996). The theory underlying the bottom line of governance is stakeholder theory because the bottom line of governance is part of the social bottom line. Governance is the structure of the relationship and its relation to responsibilities among related parties consisting of shareholders, members of the board of directors, and commissioners, including managers, which is designed to encourage the creation of competitive performance needed to achieve the company's main objectives (OECD, 2016). The theory that underlies the bottom line of empowerment is the stakeholder theory because the bottom line of empowerment is part of the social bottom line. Empowerment, based on (Conger & Kanungo, 1988), is a process of enhancing self-efficacy among organizational members through identifying conditions that foster powerlessness and through their removal by both formal corporate practices and informal techniques of providing efficacy information. Self-efficacy is the belief to mobilize the motivation, cognitive resources, and courses of action needed to meet given situational demands (Wood & Bandura, 1989).

4.4 Hypothesis development

4.4.1 The influence of financial performance towards CSV

The political economy theory is a theory that can explain the financial aspects of FBL. This theory underlies management's decision to do or not do something depending on economic interests (Cooper & Sherer, 1984). The company's main motive is to satisfy its stakeholders, one of which is to generate profit. Profit is the foundation of the company in carrying out its activities. Companies must have added economic value as a prerequisite for continuing to live and develop (Carroll, 1991). If the company is already in the sustainable stage, then the company can create a CSV. Jones et al. (2018) results show a solid and positive relationship between financial performance and CSV. Good financial performance will encourage the creation of CSV activities, and well-managed companies with "a lot of money" have greater financial flexibility and the discretion to carry out CSV activities. Based on the arguments above, the first hypothesis of this study is financial performance has a positive effect on CSV.

4.4.2 The influence of environment performance towards CSV

Legitimacy theory is used to explain environmental aspects in FBL. This theory is a company management system oriented towards taking sides with the community, government, individuals, and community groups. From an accounting perspective, shareholders' welfare improves the entire community's standard of living through trade, international trade, and job creation. Meanwhile, river pollution, GHG emissions, exploitation of children, and environmental and social consequences are seen as external factors under the company's economic objectives, namely, increasing shareholder welfare (Rappaport, 1999). Based on CSR principles, one of the essential components in measuring CSP (Corporate Social Performance) is based on environmental performance (Wood, 1991). This is supported by research on companies making efforts to reduce pollution emission levels through technological innovations at the Eastman Kodak Company (Poduska et al., 1992) and Minnesota Mining and Manufacturing (Solomon & Hanson, 1985). In this study, the company's environmental performance is measured by the level of pollution emissions released. Based on the social performance model, companies are expected to have an obligation to carry out implementations that will benefit society (Wood, 1991). Based on the arguments above, the second hypothesis of this study is environmental performance has a positive effect on CSV.

4.4.3 The influence of social performance towards CSV

The social aspect can be explained using stakeholder theory, which assumes that companies are involved in social activities, mainly because they have a profit motive. Companies are considered to have an obligation to pay attention to social needs in the long term, which indicates that companies act positively towards society, and the negative effects of companies can be suppressed (Branco & Rodriques, 2007). Corporate social performance can be found in the form of CSR activities; for example, the company has a partnership program that helps local communities to be more independent by creating jobs, carrying out occupational safety and health activities by reducing the number of work accidents in the company so that workers feel comfortable working, as well as empowering workers. Women by providing opportunities to work in helping the family economy. This CSR activity will impact the stakeholders, who will see the company and its activities from a different perspective according to the interests and expectations of the stakeholders (Fiedler & Kirchgeorg, 2007; Hillenbrand & Money, 2007). Based on the arguments above, the third hypothesis of this study is that social performance has a positive effect on CSV.

4.4.4 The influence of governance performance towards CSV

The governance aspect is one part of the social aspect, so we use stakeholder theory. Corporate governance activities, for example, have an independent board of commissioners and independent directors. The existence of independent commissioners and independent directors is intended to create a more objective and independent climate, maintain fairness, and provide a balance between the interests of the majority shareholder and the protection of the interests of minority shareholders, even the interests of other stakeholders. If the company carries out suitable governance activities, it is expected to generate trust for stakeholders, such as shareholders, investors, and employees. With the support of stakeholders, the company can continue to carry out its corporate activities and achieve sustainability, which can encourage the creation of CSV. Based on the arguments above, the fourth hypothesis of this research is that governance performance has a positive effect on CSV.

4.4.5 The influence of empowerment performance towards CSV

The aspect of empowerment is one part of the social aspect, so we use stakeholder theory. Empowerment activities are carried out by the company, for example, by having training programs for company employees that will improve skills and knowledge in work. The second is recruiting local men to be empowered as company employees who support the empowerment of local communities so that they can help improve living standards and reduce unemployment. With this empowerment activity well, the company will also benefit, for example, by increasing the sense of belonging of employees, which can reduce employee turnover and will have an impact on the smooth running of company activities as well as saving costs and time in recruiting employees. By carrying out empowerment activities, the company will achieve sustainability, which will then encourage the creation of CSV. Based on the above arguments, the fifth hypothesis of this study is empowerment performance has a positive effect on CSV.

5 Research method

This study will analyze the influence of CSV short-term and long-term, so we use several periods. We use robustness checking and test the consistencies for every model by utilizing the sub-period robustness. The FBL performance will affect CSV in the same period (lead 0), the following year (lead 1), the next two years (lead 2), three years next (lead 3), and the next four years (lead 4). We use lead time because we want to see the influence of CSV in the same period until the next four years. The purposive sampling technique is used because this study will examine companies that publish SR/CSR/ESG (Environmental, Social, and Governance) reports from 2006 to 2014. We started in 2006 because the first sustainability report was published and created by 3 publicly listed companies. We try to get the early development of SR in Indonesia and the public companies listed from IDX (506 companies), and we have to look at every company's websites to get the SR/CSR/ESG annual report. Sometimes, the report is included in the annual report—the other sources of companies participating in SRA (Sustainability Reporting Award) 52 companies. From 506 publicly listed companies, 97 publicly listed companies were chosen, and from 52 companies joining SRA, 24 companies were selected, with a total of 121 companies deducted by the financial institution, 92 companies. The total sample is 29 companies with 131 observations.

5.1 Dependent variables and measurements

See Table 1.

5.2 Independent variables and measurements

5.2.1 Financial performance measurements

See Table 2.

5.2.2 Environmental performance measurements

See Table 3.

5.2.3 Environmental performance measurements

See Table 4.

Table 1 CSV indicators and measurements *Source*: Porter et al. (2011)

No	CSV indicators	Measurements
1	Increased revenue	$(\text{Revenue}_t - \text{Revenue}_{t-1})/\text{Revenue}_{t-1}$
2	Increased profitability	$(\text{Profit}_t - \text{Profit}_{t-1})/\text{Profit}_{t-1}$
3	Increased education	$(\text{Educational Expense}_t - \text{Educational Expense}_{t-1})/\text{Educational Expense}_{t-1}$
4	Increased employee income	$(\text{Salary Expense}_t - \text{Salary Expense}_{t-1})/\text{Salary Expense}_{t-1}$
5	Increased health	$(\text{Health Expense}_t - \text{Health Expense}_{t-1})/\text{Health Expense}_{t-1}$
6	Reduced operating cost	$(\text{Operating Expense}_t - \text{Operating Expense}_{t-1})/\text{Operating Expense}_{t-1}$
7	Reduced energy use	$(\text{Energy Usage}_t - \text{Energy Usage}_{t-1})/\text{Energy Usage}_{t-1}$
8	Reduced water use	$(\text{Water Usage}_t - \text{Water Usage}_{t-1})/\text{Water Usage}_{t-1}$
9	Reduced carbon footprint	$(\text{Carbon Emission}_t - \text{Carbon Emission}_{t-1})/\text{Carbon Emission}_{t-1}$

5.2.4 Governance performance measurements

See Table 5.

5.2.5 Empowerment performance measurements

See Table 6.

5.2.6 Control variables and measurements

Control variables used in this research are (1) Company size, proxied by Log total asset (Aggarwal, 2013; Al Farooque et al., 2007); (2) Industry type, proxied by a dummy variable, score 1 if the sample in the Environmentally Sensitive Industry (ESI), and score 0 Non-ESI (Cho & Patten, 2007); (3) Capital intensity, proxied by Log Total Assets divided by Total Employees (Huselid et al., 1997); and (4) Year Dummy, proxied by a dummy variable, score 1 if the reference year is 2013, and score 0, if the reference year is not 2013.

6 Statistical analysis instruments

To test the hypothesis on the influence of sustainability towards CSV, we use multiple linear regression. Since our data is unbalanced panel data, we will use Ordinary Least Square (OLS). We conduct the model specification test and also parameter significancy test. The empirical model is as follows:

Model 1 (*Lead* 0):

$$
\begin{aligned}
\text{CSV}_{it} = {} & \beta_{0it} + \beta_1\text{FIN}_{it} + \beta_2\text{ENV}_{it} + \beta_3\text{SOC}_{it} + \beta_4\text{GOV}_{it} + \beta_5\text{EMP}_{it} \\
& + \beta_6\text{SC}_{it} + \beta_7\text{IC}_{it} + \beta_8\text{CC}_{it} + \beta_9\text{DC2006}_{it} + \beta_{10}\text{DC2007}_{it} \\
& + \beta_{11}\text{DC2008}_{it} + \beta_{12}\text{DC2009}_{it} + \beta_{13}\text{DC2010}_{it} + \beta_{14}\text{DC2011}_{it} \\
& + \beta_{15}\text{DC2012}_{it} + \beta_{16}\text{D2C014}_{it} + \varepsilon_{it}
\end{aligned}
$$

Table 2 Financial indicators and measurements. *Source*: (Ratnatunga & Jones, 2012)

No	Financial indicators	Measurements
1	Return on asset (ROA)	Net income/total asset (Weygandt et al., 2016)
2	Earnings per share (EPS)	Net incomeaverage outstanding common shares (Weygandt et al., 2016)
3	Market price/market value	Market price per share/book value per share (Brigham & Ehrhart, 2011)
4	Price-earnings ratio (PER)	Price per share/earnings per share (EPS) (Weygandt et al., 2016)
5	Earnings before interest and tax (EBIT)	Revenue—COGS—operating expenses (Weygandt et al., 2016)
6	Dividends per share (DPS)	Dividends paid to common stockholders/common shares outstanding (Brigham & Ehrhart, 2011)
7	Cost of equity (COE)	(Dividend per share/market value of stock) + growth rate of dividends (Brigham & Ehrhart, 2011)
8	Cost of debt (COD)	Interest expense/total long-term debt (Brigham & Ehrhart, 2011)
9	Debt/equity ratio (DER)	Total liabilities/total shareholder's equity (Brigham & Ehrhart, 2011)
10	Share price growth	(Share price$_t$ − Share Price$_{t-1}$)/Share Price$_{t-1}$
11	Economic value added (EVA)	Net operating profit after taxes (NOPAT)—Capital Charges (Brigham & Ehrhart, 2011)

Table 3 Environmental performance measurements. *Source*: (Ratnatunga & Jones, 2012)

No	Environmental indicators	Measurements
1	Energy use	Total of energy used
2	Water usage	Total water usage
3	CO_2 emissions	Total CO_2 emissions released
4	Hazardous waste	Total of hazardous waste
5	Habitats and species conservation	Number of trees planted
6	Awards and recognition	Number of awards and recognition received

Table 4 Environmental performance measurements. *Source*: (Ratnatunga & Jones, 2012)

No	Social indicators	Measurements
1	Protection of health and safety of workers	Number of work accidents
2	Equal treatment of employees	Number of female employees/total employees
3	Support of charities and community groups	Partnership funds
4	Payment of tax and fees	Income taxes
5	External verification of reports	Dummy variables: score one if there is an external verificators, and score 0 if there are no external verificators
6	Employee turnover	Number of employees out/total employees
7	Awards and recognitions	Number of awards and recognition received

Table 5 Governance performance measurements. *Source*: (Ratnatunga & Jones, 2012)

No	Governance indicators	Measurements
1	Board independence	Number of independent commissioners/Total commissioners
2	Board size	Number of directors
3	Managerial remuneration	Dummy variables: score 2 if it is in detail, score 1 if it only provides the number, dan score 0 if no information
4	Awards and recognitions	Number of awards and recognition received

Table 6 Empowerment performance measurement. *Source*: (Ratnatunga & Jones, 2012)

No	Empowerment indicators	Measurements
1	Employee Empowerment	Number of training hours
2	Awards and recognitions	Number of awards and recognition received

Model 2 (*Lead* 1):

$$\begin{aligned}\mathrm{CSV}_{it+1} = {} & \beta_{0it} + \beta_1\mathrm{FIN}_{it} + \beta_2\mathrm{ENV}_{it} + \beta_3\mathrm{SOC}_{it} + \beta_4\mathrm{GOV}_{it} + \beta_5\mathrm{EMP}_{it} \\ & + \beta_6\mathrm{SC}_{it} + \beta_7\mathrm{IC}_{it} + \beta_8\mathrm{CC}_{it} + \beta_9\mathrm{DC2006}_{it} + \beta_{10}\mathrm{DC2007}_{it} \\ & + \beta_{11}\mathrm{DC2008}_{it} + \beta_{12}\mathrm{D2C009}_{it} + \beta_{13}\mathrm{DC2010}_{it} \\ & + \beta_{14}\mathrm{DC2011}_{it} + \beta_{15}\mathrm{DC2012}_{it} + \varepsilon_{it}\end{aligned}$$

Model 3 (*Lead* 2):

$$\begin{aligned}\mathrm{CSV}_{it+2} = {} & \beta_{0it} + \beta_1\mathrm{FIN}_{it} + \beta_2\mathrm{ENV}_{it} + \beta_3\mathrm{SOC}_{it} + \beta_4\mathrm{GOV}_{it} \\ & + \beta_5\mathrm{EMP}_{it} + \beta_6\mathrm{SC}_{it} + \beta_7\mathrm{IC}_{it} + \beta_8\mathrm{CC}_{it} + \beta_9\mathrm{DC2006}_{it} \\ & + \beta_{10}\mathrm{DC2007}_{it} + \beta_{11}\mathrm{DC2008}_{it} + \beta_{12}\mathrm{DC2009}_{it} \\ & + \beta_{13}\mathrm{DC2010}_{it} + \beta_{14}\mathrm{DC2011}_{it} + \varepsilon_{it}\end{aligned}$$

Model 4 (*Lead* 3):

$$\begin{aligned}\mathrm{CSV}_{it+3} = {} & \beta_{0it} + \beta_1\mathrm{FIN}_{it} + \beta_2\mathrm{ENV}_{it} + \beta_3\mathrm{SOC}_{it} \\ & + \beta_4\mathrm{GOV}_{it} + \beta_5\mathrm{EMP}_{it} + \beta_6\mathrm{SC}_{it} + \beta_7\mathrm{IC}_{it} + \beta_8\mathrm{CC}_{it} \\ & + \beta_9\mathrm{DC2006}_{it} + \beta_{10}\mathrm{DC2007}_{it} + \beta_{11}\mathrm{DC2008}_{it} \\ & + \beta_{12}\mathrm{DC2009}_{it} + \beta_{13}\mathrm{DC2010}_{it} + \varepsilon_{it}\end{aligned}$$

Model 5 (*Lead* 4):

$$\begin{aligned}\mathrm{CSV}_{it+4} = {} & \beta_{0it} + \beta_1\mathrm{FIN}_{it} + \beta_2\mathrm{ENV}_{it} + \beta_3\mathrm{SOC}_{it} + \beta_4\mathrm{GOV}_{it} \\ & + \beta_5\mathrm{EMP}_{it} + \beta_6\mathrm{SC}_{it} + \beta_7\mathrm{IC}_{it} + \beta_8\mathrm{CC}_{it} + \beta_9\mathrm{DC2006}_{it} \\ & + \beta_{10}\mathrm{DC2007}_{it} + \beta_{11}\mathrm{DC2008}_{it} + \beta_{12}\mathrm{DC2009}_{it} + \varepsilon_{it}\end{aligned}$$

Notes:

CSV_{it+n}: *Creating Shared Value* at $t+n$ period; n: 0–4 years; $\mathrm{FIN}_{\mathrm{it}}$: Financial Performance at t period; ENV_{it}: Environmental Performance at t period; SOC_{it}: Social Performance at t period; GOV_{it}: Governance Performance at t period; EMP_{it}: Empowerment Performance at t period; SC_{it}: Company Size at t period; IC_{it}: Industry Type at t period; CC_{it}: Capital Intensity at t period; $\mathrm{DC2006}_{it}$: Dummy year 2006; $\mathrm{DC2007}_{it}$: Dummy year 2007; $\mathrm{DC2008}_{it}$: Dummy year 2008; $\mathrm{DC2009}_{it}$: Dummy year 2009; $\mathrm{DC2010}_{it}$: Dummy year 2010; $\mathrm{DC2011}_{it}$: Dummy year 2011; $\mathrm{DC2012}_{it}$: Dummy year 2012; $\mathrm{DC2014}_{it}$: Dummy year 2014; ε_{it}: Standard error at t period; $\beta_{0it,}\ \beta_{1it,\ldots,}\beta_{16it}$: Coefficient Correlations at t period.

7 Results and discussions

7.1 Descriptive analysis

See Table 7.

7.2 Model specification tests

This research has no multicollinearity, autocorrelation, heteroscedasticity, or normality issues at the observation time. We have tested the autocorrelation test with

Table 7 Summary of descriptive analysis

No	FBL	Diclosure level average	Best practices	Indicators to improve
1	CSV	98%	20 out of 29 companies (69%) disclose the information of 100%	None
2	Financial performance	95%	17 out of 29 companies (59%) disclose the information of 100%	None
3	Environmental performance	70%	Semen Indonesia (Persero) Tbk discloses the information of 94%	Hazardous waste
				Rewards
4	Social performance	80%	Jasa Marga Tbk discloses the information of 100%	Employee turnover
				Health and safety of workers
				Partnership funds
				Rewards
5	Governance performance	84%	Pertamina (Persero) and Petrokimia (Semen) Gresik disclose the information of 100%	Rewards
6	Empowerment performance	43%	Indocement Tunggal Prakarsa Tbk and Vale Indonesia Tbk disclose the information of 100%	Rewards

Breusch–Godfrey and the results has no autocorrelation, to see the consistencies, we test it again with Durbin Watson and the results is consistent with the Breusch–Godfrey. The results for the classical assumption test are in Table 8.

The result of the model specification test show that there is no multicollinearity, no autocorrelation, and no heteroscedasticity in the observed data, and the data distribution is normal.

7.3 Parameter significance testing

See Tables 9 and 10.

7.3.1 Control variables

(a) Size has a negative influence on CSV in the next 2 years. However, company size does not affect CSV in the same year, the next 1 year, the next 3 years, and the next 4 years.
(b) The type of industry does not affect CSV in all periods. It means that the effect of the ESI industry type is the same as that of the non-ESI industry type in creating CSV.
(c) Capital Intensity does not affect CSV in all periods, meaning that the effect of capital intensity on CSV is the same between the capital intensity of larger and smaller companies. It can be because the sample is a company that, on average, has issued a

Table 8 Classical assumption test

Classical assumption tests	Requirements	Results
Multicollinearity test (variance inflation factors)	Centered VIF value < 10	Lead 0–4 = < 10
Autocorrelation test 1 (Breusch–Godfrey)	Chi-square probability value > 5%	Lead 0 = 0.0654
		Lead 1 = 0.0615
		Lead 2 = 0.3603
		Lead 3 = 0.7329
		Lead 4 = 0.0766
Autocorrelation test 2 (Durbin Watson)	Durbin Watson Stat dU-(4-dU)	Lead 0 = 1.9575
		Lead 1 = 1.9710
		Lead 2 = 1.9728
		Lead 3 = 1.9421
		Lead 4 = 2.0178
Heteroscedasticity test (Breusch–Pagan–Godfrey)	Chi-square probability value > 5%	Lead 0 = 0.9289
		Lead 1 = 0.8003
		Lead 2 = 0.7751
		Lead 3 = 0.2172
		Lead 4 = 0.6809
Normality test (Jarque–Bera)	Probability value > 5%	Lead 0 = 0.2710
		Lead 1 = 0.3888
		Lead 2 = 0.9074
		Lead 3 = 0.9401
		Lead 4 = 0.8532

Table 9 Hypothesis testing results summary (Model 1–Model 5)

	Model 1 (Lead 0)		Model 2 (Lead 1)		Model 3 (Lead 2)		Model 4 (Lead 3)		Model 5 (Lead 4)	
	Expected value	Coeff.	Expected value	Coeff.	Expected value	Coeff.	Expected value	Coeff.	Expected value	Coeff.
Independent variables										
Constant	NA	0.4545	NA	0.3438	NA	0.4248	NA	0.4099	NA	0.2056
FIN	+	−0.0103	+	0.1032	+	***0.3473	+	0.0373	+	−0.0204
ENV	+	0.0415	+	0.0184	+	*0.0795	+	−0.0239	+	0.0106
SOC	+	0.0162	+	−0.0179	+	*−0.0938	+	0.1124	+	−0.1943
GOV	+	0.0566	+	−0.0283	+	0.0061	+	−0.0810	+	−0.0829
EMP	+	0.0083	+	−0.0176	+	−0.0344	+	*0.0642	+	0.1109
Control variables										
SC	+	−0.0056	+	0.0054	+	−0.0207	+	−0.0103	+	0.0367
IC	+	5.5766	+	8.4783	+	*-6.6836	+	8.0221	+	1.3898
CC	+	0.0027	+	0.0034	+	0.0006	+	0.0259	+	0.0163
DCYEAR	+	Included	+	Included	+	Included	+	Included	+	Included
F test Sign	0.0076		0.065		0.0128		0.0448		0.1313	
Adj *R* squared	0.1327		0.0937		0.1965		0.2176		0.2369	
N	131		103		77		51		31	

This model is presented from model 1–5 with the multiple regression technique. Estimation is conducted with panel data analysis. Dependent variable is CSV, and the independent variables are FIN, ENV, SOC. GOV, and EMP. Control variables are Size (SC), Industry Type (IC), Capital Intensity (CC) and Year Dummy (DC YEAR). Operational definition of each variables: (i) CSV: average value of CSV performance; (ii) FIN: average value of financial performance; (iii) ENV: average value of environmental performance; (iv) SOC: average value of social performance; (v) GOV: average value of governance performance; (vi) EMP: average value of empowerment performance; (vii) SC: Natural logarithm of total assets; (viii) IC: Industry Type Dummy, ESI Industry score 1, non-ESI industry score 0; (ix) CC: Capital Intensity: Natural logarithm of total assets divided by total employees; (x) DCYear: Year dummy, base year 2013 score 1, other year than 2013 score 0

*** Significance level 1%, ** Significance level 5%, * Significance level 10%

Table 10 Test results summary

Research objectives	Research hypothesis	Research results	Notes
1. Analyzing the influence of financial performance towards CSV	Financial performance influences CSV positively	Financial performance influences CSV positively in the next 2 years but does not influence CSV in the same year, the following year, the following 3 years, and the next 4 years	Hypothesis 1 is accepted
2. Analyzing the influence of environmental performance towards CSV	Environmental performance influences CSV positively	Environmental performance influences CSV positively in the next 2 years but does not influence CSV in the same year, the following year, the following 3 years, and the next 4 years	Hypothesis 2 is accepted
3. Analyzing the influence of social performance towards CSV	Social performance influences CSV positively	Social performance influences CSV negatively in the next 2 years but does not influence CSV in the same year, the following year, the following 3 years, and the next 4 years	Hypothesis 3 is rejected, but social performance influences CSV negatively after 2 years
4. Analyzing the influence of governance performance towards CSV	Governance performance influences CSV positively	Governance performance does not influence CSV in the same year, the following year, the following 2 years, the following 3 years, and the next 4 years	Hypothesis 4 is rejected
5. Analyzing the influence of empowerment performance towards CSV	Empowerment performance influences CSV positively	Empowerment performance influences CSV positively in the next 3 years but does not influence CSV in the same year, the following year, the following 2 years, and the next 4 years	Hypothesis 5 is accepted

sustainability report for 5 years, and its financial performance is relatively good. The company's capital intensity is usually significant.

8 Conclusions

First, financial performance influences CSV positively in the next 2 years but has no effect in the same year, the next 1 year, the next 3 years, and the next 4 years. It can be interpreted that after the company achieves financial performance, for example, with a good profit, the company will channel part of the profit for social and environmental activities that have been planned. The process from distributing part of the profit to getting the benefits from social and environmental activities that can create the CSV takes up to the next 2 years. This study is in line with Jones et al. (2018). The results of their research stated that financial performance has a positive effect on CSV. The CSV measurement was from Porter and Kramer (2011). So, this study only uses one aspect of FBL (financial performance) towards CSV. Second**,** environmental performance influences CSV positively in the next 2 years but has no effect in the same year, the next 1 year, the next 3 years, and the next 4 years. It can be interpreted that the expected results of the company in carrying out environmental activities have not been able to feel the benefits quickly. An example of environmental activities carried out by the company is the gradual planting of trees every year, and the benefits of tree planting on the surrounding environment will be felt in the long term. The surrounding community will be able to handle the benefits of tree planting activities so that the environment becomes shadier, reduces air pollution, and saves on using clean water. Suppose the company can provide help to the community. In that case, the community will also support the company's existence by buying the company's products because they are considered to have added value to the environment. The benefit for the company is to have a good image in the eyes of the community and the company's employees because they care about the environment. The result of this study is supported by (Rahardja et al., 2021), the result shows that environmental performance could influence CSV in the next 2 years but could not influence the CSV in the same year, the next 1 year, the next 3 years, or the next 4 years. Third, social performance influences CSV negatively in the next 2 years, and social performance does not play a role in creating CSV in the same year, the next 1 year, the next 3 years, and the next 4 years. Research that produces a negative relationship between social performance and financial performance is research on the cost of CSR to reduce profits and shareholders' wealth (Aupperle et al., 1985; Oh & Park, 2015). The cost of CSR is greater than the benefits in increasing the morale and productivity of company employees (Solomon & Hanson, 1985). Still, it is also found in the research of Ingram and Frazier (1980), Freedman and Jaggi (1992). Investing in CSR involves additional costs, such as improving employee conditions, implementing environmentally friendly practices, and making donations. Socially responsible companies have higher costs than companies with less or no social responsibility (Barnett, 2007; Scherer & Palazzo, 2011). Fourth, governance performance could not influence CSV in the observed period (from the current year to the next 4 years). These results indicate that the impact of governance on CSV will only be felt over a longer period. The implementation of governance can cause it to be less effective; for example, companies implement governance not because of the need to implement it but rather to comply with existing rules. It is supported by the OECD (2015) report on the ASEAN Corporate Scorecard Country Reports and Assessments, which states that governance practices in Indonesia are ranked 5th out of

6 ASEAN countries. Although OJK issued a roadmap for Indonesian corporate governance in 2014, suggestions from the OECD are to increase disclosure of the legal framework and governance regulations, strengthen public enforcement, and improve the nomination process and election of commissioners. The same thing was also expressed by (Cochran et al., 2016) regarding CG Watch 2016, stating that Indonesia's governance practices are ranked 11th out of 11 countries in Asia. CLSA suggests there are still weaknesses in law enforcement even though OJK issued a roadmap for Indonesian corporate governance in 2014. Apart from the above, this could also be due to the limited size of governance used in this research. The size used is based on research by (Ratnatunga & Jones, 2012) Fifth, Empowerment performance influences CSV positively influence CSV in the next 3 years, but has no effect in the same year, the next 1 year, the next 2 years, and the next 4 years. It can be interpreted that the company's expected results in carrying out its empowerment activities have not been able to feel the benefits quickly. An example of an empowerment activity is having a training program for company employees that will improve their skills and knowledge at work. Of course, the training program takes time to get the results expected by the company. If the company carries out empowerment activities well, the company will also get benefits, for example, increasing the employee's sense of belonging, which can reduce employee turnover and will have an impact on the smooth running of company activities as well as saving costs and time in recruiting employees.

8.1 Implications

First, theoretical implications. This study provides empirical evidence for the relationship between sustainability and CSV. This concept assumes that if the company experiences sustainability, then the company can create CSV (McKinsey, 2011). The results of this study indicate that FBL, which is a proxy for company sustainability, can affect CSV. Financial performance and environmental performance positively affect CSV in the next 2 years but do not affect the same year, the next 1 year, the next 3 years, and the next 4 years. Then, empowerment performance has a positive impact on CSV in the next 3 years but has no effect in the same year, the next 1 year, the next 2 years, and the next 4 years. Social performance will have a negative impact on CSV in the next 2 years. But no effect in the same year, the next 1 year, the next 3 years, and the next 4 years. Governance performance does not affect the creation of CSV in the same year up to the following 4 years. Second, managerial implications; for example, managers can implement sustainability with FBL proxy to create CSV in 2–3 years. So, companies are expected to be able to link FBL with business strategy and assume FBL as a long-term investment and must be carried out continuously to create continuous CSV. Next, the level of the disclosure in the sustainability reports. For the financial performance, the disclosure level achieves an average value of 95% of its activities, so the company is expected to be able to maintain it. Next, the environmental performance at the disclosure level achieves an average value of 70% of its activities, so companies are expected to increase their disclosures, for example, B3 waste reports and awards. Thus, the social performance reaches an average value of 80% of its activities, so companies are expected to be able to increase their disclosure, for example, employee turnover, occupational health and safety, partnership funds, and awards. Then, the governance performance achieves an average value of 84% of its activities, so companies are expected to increase their disclosures, for example, awards. Lastly, the empowerment performance achieves an average value of 43% of its activities, so companies are expected to increase their disclosures, for example, employee training reports and awards.

Then, the sustainability reports are assessed by external parties. Based on the data from 29 sample companies, only 5 companies have used an external assurer (17.24%). Suggestions for the company's management are to start considering that external parties examine sustainability reports because it will increase the credibility of information for internal and external parties, minimize risks, and improve the company's reputation (Frost & Martinov-Bennie, 2010; Ioannou & Serafeim, 2012; Simnett et al., 2009). Lastly, for company management to maintain consistency of sustainability reports in terms of form, period, format, language, and unit of measurement for disclosure. Then, the quality of sustainability reports will be better if it is supported by the government and mandatory. For example, OJK requires sustainability reports for publicly listed companies on the IDX by following the Indonesian corporate governance roadmap guidelines (OJK, 2014) and Certified Sustainability Practitioners (ICSP) institution, which align sustainability professionals to focus on and drive sustainable development.

9 Research limitations

First, the research sample and observation period. The limitation of the research scope is the research sample, which is all companies listed on the IDX and the SRA. The requirement is that companies issue annual reports, financial reports, CSR reports, and SR during 2006–2014. From the number of companies that issue SR, as many as 121 companies, the number of research samples that meet the criteria is 29 companies (23.97%), so the results of this study cannot be generalized. In addition, the observation period started from 2006 to 2014 with 131 observations. It is because the SR was published in 2006 and was created by 3 companies. In the selection of samples, there is the potential for sample selection bias because the choice of research samples is based on companies that provide data based on the company's website. Second, diverse industries. Due to the limited research sample with a total of 29 companies, this study combines 8 types of industries listed on the IDX, namely Mining; Infrastructure, Utilities, and Transportation; Basic and Chemical Industry; Property and Real Estate; Agriculture; Trade, Services, and Investment; Consumer Goods Industry; Various Industries. The industries excluded from the sample are the financial industry (banks, financial institutions, securities, insurance) and foundations because their operations are unrelated or directly affect the variables to be studied. Three, measurement. The CSV measurement uses the concept of Porter and Kramer (2011) reconceiving products and markets, redefining productivity in the value chain, and enabling local cluster development. These measures cannot be separated into three sizes because there are overlapping indicators among the three measures, so the CSV size can only be combined into 9 indicators for the three measures. The sustainability measurement uses FBL from (Ratnatunga & Jones, 2012). Also, it considers the information available in the SR and/or CSR report and/or the annual report based on GRI 4, which has not been included in the measurement. Fourth, there is a possibility of an endogeneity relationship between the FBL variables, which was not carried out in this study due to the limitations of the research sample. Research by Al-Tuwaijri et al. (2004) looks at the reciprocal relationship between environmental performance and financial performance. The research finding is that environmental performance and financial performance influence each other in a positive and significant way. The causality test results have been carried out and produced inconsistent results.

9.1 Recommendation for further research

First, to extend the research period so that the research sample obtained is more prominent so that we can see the subsequent development of the sustainability towards CSV in Indonesia in a more extended time. Increasing the research sample will also reduce the potential for sample selection bias. Second, this research can be analyzed per industry if the number of samples increases. For the sample selection, the SRI-KEHATI Index in Indonesia (Companies that have ESG Reports) can be used. Then, it can also be analyzed between state-owned companies and private companies. The third is the measurement: (a) The CSV measure uses the concepts of Jones et al. (2018). (b) The other sustainability measurement can be used, for example, SustainAbility, Environmental Sustainability Index, and The Sustainability Balanced Scorecard (Hubbard, 2009), eight Bailey TBL indicators in 2008 (Furnish et al., 2013), other FBL measures are Profit, Transformation, Social Development, Climate Change, and Environment and Biodiversity (Dos Santos et al., 2014). The last one, this research can also be expanded by conducting a causality test between FBL variables to empirically prove the concept of Rogers and Ryan (2001), Giddings et al. (2002), and (Ratnatunga & Jones, 2012) on the relationship between FBL variables in creating sustainability.

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