European Proceedings of
Social and Behavioural Sciences
EpSBS
www.europeanproceedings.com
e-ISSN: 2357-1330

DOI: 10.15405/epsbs.2020.10.4

AAMC 2019
The 13th Asian Academy of Management International Conference 2019

DOES PERFORMANCE OF SUSTAINABILITY REPORT AFFECTS COMPANY'S MARKET SHARE?

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Abstract

Firm discloses sustainability report is supposed to achieve good performance in economic, social, and environment that also shows balance treatment for the company's stakeholder. However, there is conclusion findings about the relationship between corporate social responsibility and firm's performance. There is also no concession about fair treatment between stakeholder's interests that possible has contrast concern between of it. Therefore, this study examines the effect of sustainability performance on market share. Increasing market share represents loyalty of customer (include society) to the company's output (product) that may implement eco production system or consider society's requirement about product quality rather than profit only. It is in the same path with Sustainable Development Goals (SDGs) agenda in 2015 to ensure the sustainability of earth in the future. The result shows that company's sustainability performance has a significant positive effect on market share. This result enriches stakeholder theory through fulfilment society's concern that represents on brand's loyalty.

Keywords: Indonesia, market share, sustainability report, sustainable development goals, stakeholder theory.

https://doi.org/10.15405/epsbs.2020.10.4
Corresponding Author: Nur Rizki Wijaya
Selection and peer-review under responsibility of the Organizing Committee of the conference
eISSN: 2357-1330

1. Introduction

Company, actually, concern to sustainability report because it is a communication media to external about firm's economic, social, and environment performance. It implies that this report is a basis for external to assess the company's development. Rikhardsson and Holm (2008) state that sustainability report has important role in stakeholder's decision, such as investor, creditor, consumer, supplier, community or local community, or government, that has relationship about that company. Therefore, fulfilment of stakeholder's interest becomes company's main goals (Ansoff, 1965) or company's strategy to enhance higher performance (Theodoulidis et al., 2017). As consequence, stakeholders will be response positive company's sustainability disclosure (Rikhardsson & Holm, 2008).

The idea to serve all stakeholder's interest fairly is based on stakeholder theory perspective (Freeman, 1984), because any stakeholder, no exception, has right to get information about company's sustainability Deegan (2000), Sturdivant (1997), and Freeman (1984) argues that management must consider stakeholder's interest as a part of company's strategy, although it can be contrary to the stockholder's interest. Generally, company concerns to the sustainability of social and environment because it is a part of Sustainable Development Goals (SDGs) agenda encourages all countries involve in the prosperity and sustainability of planet earth (SDG2030Indonesia). Deegan (2000) states that global community must ensure pattern consumption of current generation does not have a negative impact to the quality of future generation's life.

Indonesia Government also encourage listed company to disclose sustainability report and regarding to this agenda, National Centre for Sustainability Reporting (NCSR) creates annually Indonesia Sustainability Reporting Award (ISRA), so companies concern to sustainability reports formulated by Global Reporting Initiative (n.d.) (GRI). In fact, although Company's Rule has stated that company should disclose sustainability since 1997, but in 2005 only a company in Indonesia published sustainability report. In 2017, there are 44 companies out of 626 listed companies or 7.03% from total public company.

The urgent question is why company does not concern to sustainability disclosure. Does company think that the report does not influence stakeholders' opinion? Inconclusive finding about sustainability performance and firm's performance causes less company's response to obligation to disclose it (Clement, 2005). Prior evidence states that company's performance does not have relationship with disclosure of economic and environment aspects, but social aspects significantly influences company's performance (Burhan & Rahmanti, 2012). Other studies also shows the same evidence that CSR's report does not have relationship with performance (Aupperle et al., 1985; Teoh et al., 1999; Wright & Ferris, 1997). Contrast studies of (King & Lenox, 2008; Konar & Cohen, 2001; Nakao et al., 2007; Russo & Fouts, 1997), CSR's report affects to performance. Patel et al. (2016) also reveals that management has stakeholder's interest orientation will achieve better in its financial performance.

The other urgent question is the difficulty to measure stakeholder's satisfaction as indicator of company's sustainability performance (Chakravarthy, 1986). Chakravarthy (1986) also argues that company's cooperation with various groups of stakeholders indicates the need of superior condition to achieve any kind of stakeholder's interest. As far as we know, there are contrary interest between stakeholder, such as high dividend as stockholder's interest and high-quality environment as community's

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interest. However, in long run company will get profit if management integrates between social and environment mission and the whole of company strategy (Turcsanyi & Sisaye, 2013).

This remain questions encourages this study to examine the effect of sustainability performance on market share. The ethical behaviour of company will increase loyalty of external party, such as customer's loyalty to brand. Customer's interest may become other stakeholder's interest, such as community or government. As an illustration, if company could produce low emission car that become community's interest about high quality air, so customer also encourage to buy this product. in the other side, customer does not to break government's rule about emission level. Hubbard (2008) states that investors will seek and invest in company implements good social and environmental practices. Company concern in more ethical behaviour will provide reliable information about its performance and investor will face less risk for unsustainable, so sustainability performance may influence the company's financial position (Hummels & Timmer, 2004). Bozzolana et al. (2015) prove that stakeholders will assess high value for CSR-oriented companies. Therefore, this study states a hypothesis that sustainability performance has positive effect on market share.

2. Problem Statement

There is urgent problem regarding to sustainability report's practice in Indonesia; how to behave fairly to fulfil stakeholder's interest that may has possibility contradiction. In one side, management should maximize stockholder's utilities because this group delegates the capital to management. However, community, government, or society have concern about high quality environment. According to SDG's agenda, all country should concern to sustainable development, namely develop present generation's need without reduce future generation's ability to fulfil future's need. It indicates that country's development requires a harmonious economic, environmental and social development to achieve balanced synergy of the third performance. Elkington et al. (1989) state that profit is the main goal of company. However, Elkington et al. (1989) also state that profit achievement cannot be optimum without effort to pay attention to surrounding environment. Therefore, company does not only pay attention to its economic performance, but management should be responsible to social and environment to enhance sustainability. Based on this argument, this study considers the role of market share as an indicator of fairly treatment of stakeholder's requirement. This study's hypothesis is sustainability performance affects to market share positively.

3. Research Questions

This study provides answer for the following question. Does the sustainability performance as state in company's sustainability report has a positive effect on company's market share? This question implies that the effort of management to disclose company's sustainability will indicate the ability to balance its performance in economic, social, and environment. This question represents SDGs agenda that demand company does not only concern to profit or profit orientation, but company should concern to society and environment.

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4. Purpose of the Study

Referring to the research's aim, this study is to examine the positive role of company's sustainability reporting on the company's market share. First contribution is enrichment of stakeholder theory through fair treatment between stakeholder's concerns. This study proves that positive effect of sustainability report on market share shows loyalty of customer that can be society or community to company's product. Second contribution is enrichment empirical evidence about benefit of sustainability report. Inconclusive about the relationship between sustainability report and firm's performance can appear a speculation that it is only for society or environment, but it ignores stockholder's utility. Increasing market share caused by sustainability report shows empirical evidence about an effort to maximize stockholder's return through ability to embrace customer and society, even government and other group society who concern to high quality environment. The third contribution is measurement of ethical behaviour of company. Prior research use variety on environmental performance, such as toxic release inventory, Nikkei's (2018) environmental management survey, and rankings of superiors' environmental performance. Other measurement is total emission, relative emission (measured by 4-digit standard industry classification-sic), and industry emissions. Unfortunately, the criteria cannot be implemented into service industry or retail industry, so lack of measurement causes inappropriate comparison between industry sectors. This study offers solution through market share as indicator of loyalty society (include customer) to company.

5. Research Methods

This study uses data of sustainability report of listed companies on Indonesian Stock Exchange (IDX) in 2017. This study also download data from company's official website or the Indonesian Central Agency on Statistic's official website. Beside sustainability report, market share also become important data of this study. Total listed company is 626, but total sustainability report is 44. Therefore, there are 582 sustainability report could not be downloaded for this study.

Market share is as dependent variable. According to Cambridge Dictionary, market share is a total number of service or goods that company sells compared with total number of service or goods that other companies sell. If company does not state its market share in annual report, so formula of it is individual total sales or revenues to the industry average of total sales in t period. Hence, formula of market share is

$$\textbf{Market Share} = (\textbf{Company's Total Sales})/(\textbf{Industry' s Total Sales}\ )\ \textbf{x 100\%}$$

The independent variable of this study is company's performance on sustainability report. We use scoring system for each indicators of sustainability and there are 91 indicators. The maximum score of sustainability performance is 273. This system adopted from previous studies (Yadava & Sinha, 2016) and (Morhardt, Baird, & Freeman, 2002) are as follows:

1.Score 0 if company does not disclose the indicators.

2.Score 1 if company discloses the indicators in general or not complete in accordance with the guidelines.

3.Score 2 if company discloses the indicators in detail and complete but does not cover one-year data.

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4.Score 3 if company discloses the indicators in detail and complete and cover one-year or more data.

All of the authors assessed the disclosure of company's sustainability report independently to reduce bias and compare it, then finally analyze it to make unbiased results and conclusions.

The score of company's sustainability report will be measured by comparing company's total score with maximum score that can be obtained. The result will be the percentage of company's performance on sustainability report. Hence, the formula appears as follows:

$$\textbf{Sustainability Report} = (\textbf{Company's Total Score})/273 \textbf{ x } 100\%$$

This study uses single linear regression as stated:

$\boldsymbol{Ms = a + \beta_1 SRF_1 + e.}$

Note:

Ms = Market Share

SRP = Sustainability Report Performance

6. Findings

Sustainability performance as independent variables indicates the balance concern of company about its profit and its social and environment. Market share as dependent variable indicates the response of customer include society and other group of society to company's effort to fulfil stakeholder's interest despite of stockholder's interest. The mean of company's sustainability report performance is 0.2398 and deviation standard is 0.10668 (see table 01). It indicates that sample achieves 65 point of 273. Meanwhile, the mean of market share is 0.1870 and standard deviation is 0.19321. Data is normal based on Kolmogorov Smirnov test.

Table 01. Descriptive Statistic

Variable	Number of Company	Mean	Standard Deviation
Sustainability Performance	44	0.2398	0.10668
Market Share	44	0.1870	0.19321

This study examines the relationship of sustainability performance on company's market share stated in hypothesis as sustainability performance has positive effect on market share. The examination's result reveals that coefficient of sustainability performance is positive (0,584) and significant under 5% (see table 02). Result of t value also support the hypothesis that t table (2.021) is lower than t value (2.2016). F test also shows robustness of regression model because of significance level less than 0.05%.

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Table 02. Hypothesis Testing

Variable	coefficient	t value	Significance
Sustainability Performance	0.584	2.2016	0.033**
F test	4.864		0.033**
R square = 0.104			

Notes: **) significant < 0.05

7. Conclusion

This study's background is an effort of world society in general and Indonesia Government to encourage company to disclose sustainability report. It shows the responsibility of company to customer's, society's, government's interest rather than profit maximization or stockholder's utility. Other background is inconclusive of empirical evidence about sustainability report and firm's performance relationship. This study argues that firm's performance indicates profit orientation of management, so the examination about it does not have role on stakeholder theory. Therefore, it is urgent to examine a measurement that represent a balance effort of company to treat its stakeholder's concern, namely market share.

The result reveals that company's performance on economic, social, and environment significantly affect in increasing company's market share. This result contributes to an inconclusive findings of Burhan and Rahmanti (2012), Wright and Ferris (1997), Teoh et al. (1999), and Aupperle et al. (1985) in one side and Russo and Fouts (1997), Nakao et al. (2007), King and Lenox (2008), Konar and Cohen (2001), and Patel et al. (2016) in other side. Study conducted by Russo and Fouts (1997), Nakao et al. (2007), King and Lenox (2008), Konar and Cohen (2001), and Patel et al. (2016) state that CSR has a relationship with company performance. Burhan and Rahmanti (2012), Wright and Ferris (1997), Teoh et al. (1999), and Aupperle et al. (1985) that there is no relationship between CSR and company performance.

This study confirms Bozzolana et al. (2015) that company has stakeholder orientation will be response positive by stakeholder. Market share represents customer and society, even government, orientation, to company's output such as product or service. It also implies of if harmonious achievement of company on economic, environmental, and social performance. Fulfilment of society (customer) through high quality product will increase market share and in turn it will enhance profit maximization for stockholder. This evidence match with suggestions of Elkington et al. (1989), Russo and Tencati (2009), Turcsanyi and Sisaye (2013) that company's performance implies triple bottom line synergy, so society will allow and respect to company's operation.

The number of samples is a weakness of this research. The next study can compare between industry sectors to seek more evidence of market share as proxy of balance treatment for stakeholder's interest. Next study also can compare between index, such as SRIKEHATI, Islamic Index, or LQ45 that has different vision and possible influence the sustainability report pattern.

Acknowledgments

Special thank you and high appreciation for Faculty of Economic and Business Universitas Sebelas Maret, Surakarta, Indonesia for conference funding and any input of audience in AAMC 2019.

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https://doi.org/10.15405/epsbs.2020.10.4
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