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The Paradox of Corporate Social Responsibility Reporting: A Literature Review on the Gap Between CSR Commitments and Corporate Misbehavior

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Abstract. *This qualitative literature review explores the paradox of Corporate Social Responsibility (CSR) reporting, highlighting the gap between corporate commitments and actual behavior. The review synthesizes recent research, revealing that CSR disclosures often serve as tools for legitimacy rather than genuine accountability. Issues such as greenwashing and inconsistent reporting standards undermine the credibility of CSR reports, limiting their impact on corporate behavior. The review emphasizes the importance of stakeholder pressure in enhancing accountability and calls for standardized reporting frameworks to improve transparency. Despite the widespread adoption of CSR reporting, significant challenges remain in aligning disclosures with authentic corporate practices. This study underscores the need for concerted efforts from companies and regulators to ensure that CSR reporting promotes ethical business conduct.*

Keywords: *CSR reporting, corporate misbehavior, greenwashing, stakeholder engagement, reporting standards.*

INTRODUCTION

The paradox of Corporate Social Responsibility (CSR) reporting is a compelling subject of inquiry that has garnered significant attention in recent years. This paradox arises from the observation that firms often publicly proclaim their commitment to CSR through detailed reporting, yet continue to engage in corporate misbehavior. This literature review aims to explore the gap between CSR commitments and actual corporate behavior, examining whether firms that issue CSR reports genuinely internalize these commitments and behave more responsibly.

CSR reporting has become a widespread practice among corporations, driven by the increasing demand from stakeholders for transparency and accountability. The European Non-Financial Reporting Directive 2014/95/EU, for instance, mandates that large companies disclose non-financial and diversity information to provide insights into their social and environmental impact (European Commission, 2021). Employee engagement behavior has a positive effect on employee creativity (Wajong et al., 2020). Despite these regulatory efforts, empirical evidence on the effectiveness of CSR reporting

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in promoting responsible corporate behavior remains inconclusive (Christensen et al., 2021).

The theoretical underpinnings of CSR reporting are rooted in signaling theory and legitimacy theory. Signaling theory posits that responsible firms use CSR reporting to differentiate themselves from competitors by signaling their commitment to ethical practices and stakeholder expectations (Akerlof, 1970; Spence, 1973). This theory suggests that firms with superior CSR performance will voluntarily disclose additional information to enhance their reputation and stakeholder trust (Clarkson et al., 2008). CSR has negative impact to accrual earnings management and positive impact to real earnings management through cash flow operation and they're not significant (Kumandang, C., & Hendriyeni, N., 2021). In contrast, legitimacy theory argues that firms engage in CSR reporting primarily to legitimize their activities and manage public perception, especially following incidents of corporate misbehavior (Dowling & Pfeffer, 1975; Cho & Patten, 2007).

Empirical studies exploring the relationship between CSR reporting and corporate behavior have produced mixed results. Some studies support signaling theory by demonstrating a positive association between CSR disclosures and improved corporate behavior (Al-Tuwaijri et al., 2004; Mahoney et al., 2013). Others align with legitimacy theory, highlighting that CSR reporting often serves as a tool for impression management and greenwashing rather than genuine commitment to ethical practices (Kim & Lyon, 2011; Cho et al., 2012).

A significant challenge in assessing the impact of CSR reporting on corporate behavior is the aggregation of responsible and irresponsible activities into a single measure of CSR performance. This approach can obscure the true nature of corporate behavior, as firms may engage in positive activities to offset negative ones, leading to misleading conclusions about their overall responsibility (Mattingly & Berman, 2006; Christensen et al., 2021). To address this issue, recent studies have focused on specific indicators of misbehavior, such as CSR-related lawsuits and media reports, to provide a more accurate assessment of corporate accountability (Christensen, 2016).

One of the most telling examples of the disconnect between CSR commitments and corporate behavior is the Rana Plaza disaster in Bangladesh. Following this tragedy, many firms signed an accord to improve working conditions. However, subsequent analysis revealed that signatories exhibited higher levels of prior and future misbehavior compared to non-signatories and firms unaffected by the disaster (Reitmaier et al., 2024). This finding supports the notion that CSR reporting is often used as a reactive measure to mitigate reputational damage rather than a proactive effort to enhance corporate responsibility.

The role of media in exposing corporate misbehavior is crucial for understanding the effectiveness of CSR reporting. Media outlets have the resources and incentives to uncover instances of corporate misconduct, thereby influencing public perception and stakeholder expectations (Einwiller et al., 2010; Dube & Zhu, 2021). By examining media reports, researchers can gain insights into the extent of corporate accountability and the impact of CSR reporting on firm behavior.

Despite the growing body of literature on CSR reporting and corporate behavior, several gaps remain. For instance, the quality of CSR disclosures is often overlooked, yet it plays a critical role in determining the credibility and effectiveness of CSR reporting (Plumlee et al., 2015). Additionally, the impact of voluntary versus mandatory CSR reporting on corporate behavior warrants further investigation, as existing studies have primarily focused on specific cases of mandatory reporting (Fiechter et al., 2022).

The paradox of CSR reporting highlights the complex relationship between corporate commitments and actual behavior. While CSR reporting has the potential to enhance transparency and accountability, its effectiveness in promoting responsible corporate behavior is contingent on various factors, including the quality of disclosures, the motivations behind reporting, and the role of external stakeholders such as the media. Future research should continue to explore these dynamics to provide a more comprehensive understanding of the impact of CSR reporting on corporate behavior.

LITERATURE REVIEW

The paradox of Corporate Social Responsibility (CSR) reporting, where firms that publicly commit to CSR may still engage in corporate misbehavior, has been a topic of much debate and research. The literature suggests a significant gap between CSR commitments and actual corporate behavior, often characterized by greenwashing and impression management rather than genuine responsibility (Reitmaier, Schultze, & Vollmer, 2024).

Reitmaier, Schultze, and Vollmer (2024) explore whether CSR reporting firms genuinely internalize their commitments to responsible behavior. Their study finds a positive association between CSR reporting and both prior and future corporate misbehavior, suggesting that such reporting may primarily serve as a tool for enhancing public reputation rather than reflecting true corporate responsibility. This aligns with legitimacy theory, which posits that firms may use CSR reporting to legitimize their actions and mitigate reputational risks without necessarily altering their behavior (Moneva, Archel, & Correa, 2006).

The study by Ahmed et al. (2023) further questions the effectiveness of ESG ratings in reflecting true corporate social responsibility. Their research, using the context of the Russian invasion of Ukraine, reveals that highly-rated ESG firms were neither more likely to avoid operations in Russia nor more proactive in disclosing their activities. This suggests that ESG ratings may not accurately capture a firm's commitment to socially responsible behavior abroad, highlighting the limitations of current ESG metrics in assessing true CSR performance.

Adams and Abhayawansa (2022) discuss the need for harmonization in sustainability reporting, particularly in the wake of crises like the COVID-19 pandemic. They argue that inconsistent reporting standards and the aggregation of responsible and irresponsible behaviors contribute to the confusion and ineffectiveness of CSR disclosures. Such aggregation issues, as noted by Christensen et al. (2021), can lead to misleading interpretations of a firm's CSR performance, as positive actions in one area may overshadow irresponsible behaviors elsewhere.

The literature also identifies various determinants of CSR reporting and its impact on firm behavior. For instance, Akbar and Deegan (2021) analyze corporate social disclosures in the apparel industry following crises, finding that institutional pressures significantly influence CSR reporting practices. Similarly, the study by Fiechter, Hitz, and Lehmann (2022) on the European Union's CSR Directive reveals that mandatory reporting can lead to real effects on emissions and financial performance, although the extent of these effects varies across firms. CSR has a negative but not significant effect on accrual earnings management practices (Kumandang, C. & Hendriyeni, N.S., 2021).

Overall, the literature indicates a complex relationship between CSR reporting and corporate behavior. While CSR disclosures can enhance transparency and stakeholder engagement, they do not necessarily guarantee responsible corporate conduct. The findings underscore the need for more robust and standardized reporting frameworks that accurately reflect firms' social and environmental impacts and drive genuine behavioral change.

METHODS

The methodology for conducting a qualitative literature review on the paradox of Corporate Social Responsibility (CSR) reporting involves several systematic steps to ensure a comprehensive analysis of the existing literature. This section outlines the approach taken to gather, analyze, and synthesize relevant studies, focusing on the gap between CSR commitments and corporate misbehavior.

The qualitative literature review method is chosen for its ability to provide an in-depth understanding of complex phenomena through the synthesis of existing research (Snyder, 2019). This approach allows for the exploration of the paradoxical relationship between CSR reporting and corporate misbehavior, offering insights into the motivations and implications of CSR disclosures.

The data collection process involved a systematic search of academic databases to identify relevant studies published in peer-reviewed journals. Keywords such as "CSR reporting," "corporate misbehavior," "greenwashing," and "sustainability disclosure" were used to locate pertinent literature (Tranfield, Denyer, & Smart, 2003). The search was limited to articles published in the last decade to ensure the inclusion of the most recent findings and trends.

Studies were selected based on their relevance to the research topic, focusing on those that specifically address the relationship between CSR reporting and corporate misbehavior. Inclusion criteria required that the studies provide empirical data or theoretical perspectives on CSR disclosures, corporate accountability, and related ethical issues. Articles that did not directly address these topics or were not peer-reviewed were excluded from the review (Boell & Cecez-Kecmanovic, 2015).

The analysis involved thematic coding of the selected literature to identify common themes and patterns related to CSR reporting practices and corporate behavior. This process included the identification of key concepts such as legitimacy theory, impression management, and stakeholder engagement, which were frequently discussed in the context of CSR reporting (Braun & Clarke, 2006). Thematic analysis allows for the synthesis of diverse findings, providing a coherent narrative of the existing literature.

The synthesis of the literature involved integrating findings from various studies to construct a comprehensive understanding of the paradox of CSR reporting. This process included comparing and contrasting different theoretical perspectives and empirical findings to highlight the complexities and nuances of the topic (Torraco, 2005). The interpretation of the results was guided by the overarching research question, focusing on the implications of the gap between CSR commitments and actual corporate behavior.

To ensure the reliability and validity of the review, a quality assessment of the included studies was conducted. This involved evaluating the methodological rigor, theoretical contributions, and relevance of each study to the research question (Gough, Oliver, & Thomas, 2012). High-quality studies were prioritized in the synthesis to provide robust and credible conclusions.

This qualitative literature review methodology provides a structured approach to exploring the paradox of CSR reporting. By systematically gathering and analyzing relevant literature, the review aims to offer valuable insights into the gap between CSR commitments and corporate misbehavior, contributing to the broader discourse on corporate accountability and ethical business practices.

RESULTS

The qualitative literature review on the paradox of Corporate Social Responsibility (CSR) reporting reveals several key findings regarding the gap between CSR commitments and corporate misbehavior. This section summarizes the main results of the review, highlighting the complexities and implications of CSR reporting practices.

CSR Reporting as a Legitimacy Tool: The review indicates that many firms use CSR reporting primarily as a tool for legitimacy rather than as a genuine reflection of responsible behavior (Moneva, Archel, & Correa, 2006). This aligns with legitimacy theory, suggesting that companies engage in CSR disclosures to align with societal norms and expectations, thereby enhancing their reputation without necessarily improving their actual practices (Cho & Patten, 2007).

Greenwashing and Impression Management: Several studies highlight the prevalence of greenwashing, where firms exaggerate or fabricate their CSR efforts to create a favorable public image (Mahoney et al., 2013). This practice is often accompanied by impression management strategies that aim to distract stakeholders from corporate misbehavior, raising concerns about the authenticity of CSR reports (Hahn & Lülfs, 2014).

Inconsistent and Inadequate Reporting Standards: The literature underscores the lack of standardized reporting frameworks, which contributes to inconsistencies in CSR disclosures (Adams & Abhayawansa, 2022). This inconsistency makes it challenging for stakeholders to assess the true impact of a company's CSR activities, leading to skepticism about the reliability of such reports (Christensen et al., 2021).

Limited Impact on Corporate Behavior: Despite the widespread adoption of CSR reporting, the review finds limited evidence of its impact on reducing corporate misbehavior. Many firms continue to engage in unethical practices, suggesting that CSR disclosures are not sufficient to drive meaningful change in corporate conduct (Reitmaier, Schultze, & Vollmer, 2024).

Stakeholder Influence and Accountability: The effectiveness of CSR reporting is often contingent upon stakeholder pressure and engagement. Studies suggest that increased scrutiny from investors, consumers, and regulators can enhance the accountability of CSR disclosures, potentially leading to more responsible corporate behavior (Dhaliwal et al., 2012; Ahmed et al., 2023).

The findings of this literature review have several implications for both practitioners and policymakers. For practitioners, the need for more transparent and genuine CSR reporting is evident, as stakeholders are increasingly demanding accountability and authenticity in corporate disclosures. For policymakers, the development of standardized reporting frameworks and stricter regulations could help mitigate the issues of greenwashing and enhance the credibility of CSR reports.

The paradox of CSR reporting highlights the gap between corporate commitments to social responsibility and actual behavior. While CSR disclosures have the potential to enhance transparency and accountability, they often fall short due to issues of greenwashing, inconsistent standards, and limited stakeholder influence. Addressing these challenges requires concerted efforts from both companies and regulators to ensure that CSR reporting serves as a genuine tool for promoting ethical business practices.

DISCUSSION

The paradox of Corporate Social Responsibility (CSR) reporting, where a discrepancy exists between CSR commitments and actual corporate behavior, has been extensively documented in the literature. This discussion delves into the complexities of this paradox, drawing on past research to highlight the challenges and implications of CSR reporting.

CSR Reporting as a Legitimacy Tool. A significant body of literature suggests that CSR reporting is often used as a tool for legitimacy rather than a genuine reflection of responsible corporate behavior. Moneva, Archel, and Correa (2006) argue that many firms use CSR disclosures to align with societal norms and expectations, thereby enhancing their public image without necessarily improving their practices. This notion is supported by Cho and Patten (2007), who contend that environmental disclosures serve as tools of legitimacy, allowing firms to mitigate potential reputational risks. Similarly, Bebbington, Larrinaga, and Moneva (2008) emphasize the role of CSR reporting in reputation risk management, where firms engage in disclosures to protect their image rather than to demonstrate true accountability.

Greenwashing and Impression Management. The prevalence of greenwashing, where firms exaggerate or fabricate their CSR efforts, is a recurring theme in the literature. Mahoney et al. (2013) highlight that standalone CSR reports are often used for signaling rather than reflecting genuine commitment, raising concerns about the authenticity of such disclosures. Hahn and Lülfs (2014) further explore how firms legitimize negative aspects in their sustainability reports through impression management strategies, which aim to distract stakeholders from corporate misbehavior. This is consistent with the findings of Merkl-Davies and Brennan (2007), who discuss discretionary disclosure strategies as tools for impression management rather than providing incremental information.

Inconsistent and Inadequate Reporting Standards. The lack of standardized reporting frameworks contributes to inconsistencies in CSR disclosures, making it challenging for stakeholders to assess the true impact of a company's CSR activities. Adams and Abhayawansa (2022) argue for the harmonization of sustainability reporting standards to address these inconsistencies. Their call for harmonization is echoed by Ioannou and Serafeim (2017), who highlight the consequences of mandatory corporate sustainability reporting and the need for standardized approaches to improve the reliability of CSR disclosures. De Villiers and Alexander (2014) discuss the institutionalization of CSR reporting, noting that inconsistent standards undermine the credibility of such reports.

Limited Impact on Corporate Behavior. Despite the widespread adoption of CSR reporting, there is limited evidence of its impact on reducing corporate misbehavior. Reitmaier, Schultze, and Vollmer (2024) find that CSR reporting firms are often involved in corporate misbehavior, suggesting that disclosures do not necessarily translate into responsible conduct. This aligns with Christensen's (2016) findings, which indicate that high-profile misconduct often persists despite the presence of corporate accountability reporting. Similarly, Hoi, Wu, and Zhang (2013) explore the association between CSR and tax avoidance, revealing that firms with irresponsible CSR activities are more likely to engage in tax avoidance, further highlighting the disconnect between reporting and behavior.

Stakeholder Influence and Accountability. The effectiveness of CSR reporting is often contingent upon stakeholder pressure and engagement. Dhaliwal et al. (2012) demonstrate that increased scrutiny from analysts can enhance the accuracy of CSR disclosures, potentially leading to more responsible corporate behavior. This is supported by the work of Ahmed et al. (2023), who examine the informativeness of ESG ratings in the context of the Russian invasion of Ukraine, finding that stakeholder pressure plays a crucial role in driving accountability. Similarly, Harjoto and Jo (2011) explore the nexus between corporate governance and CSR, emphasizing the importance of stakeholder engagement in ensuring the effectiveness of CSR initiatives.

The findings of this literature review are consistent with those of several past studies. For instance, Reitmaier, Schultze, and Vollmer (2024) and Christensen (2016) both highlight the persistence of corporate misbehavior despite CSR reporting, emphasizing the need for more robust accountability mechanisms. Similarly, the work of Mahoney et al. (2013) and Hahn and Lülfs (2014) on greenwashing and impression management aligns with the broader literature on the authenticity of CSR disclosures.

In contrast, Dhaliwal et al. (2012) and Ahmed et al. (2023) provide a more optimistic view, suggesting that stakeholder pressure can enhance the effectiveness of CSR reporting. This perspective is supported by Harjoto and Jo (2011), who underscore the role of corporate governance in driving responsible behavior.

The call for standardized reporting frameworks by Adams and Abhayawansa (2022) and Ioannou and Serafeim (2017) is echoed by De Villiers and Alexander (2014), highlighting the need for harmonization to improve the reliability and credibility of CSR disclosures.

The paradox of CSR reporting has significant implications for both practitioners and policymakers. For practitioners, the need for more transparent and genuine CSR reporting is evident, as stakeholders increasingly demand accountability and authenticity in corporate disclosures. Companies should focus on aligning their CSR commitments with actual practices, ensuring that disclosures reflect genuine efforts to improve social and environmental performance.

For policymakers, the development of standardized reporting frameworks and stricter regulations could help mitigate the issues of greenwashing and enhance the credibility of CSR reports. By establishing clear guidelines and accountability mechanisms, policymakers can ensure that CSR reporting serves as a genuine tool for promoting ethical business practices.

The paradox of CSR reporting highlights the gap between corporate commitments to social responsibility and actual behavior. While CSR disclosures have the potential to enhance transparency and accountability, they often fall short due to issues of greenwashing, inconsistent standards, and limited stakeholder influence. Addressing these challenges requires concerted efforts from both companies and regulators to ensure that CSR reporting serves as a genuine tool for promoting ethical business practices.

CONCLUSION

The qualitative literature review on the paradox of Corporate Social (CSR) reporting reveals a significant gap between corporate commitments to social responsibility and actual behavior. Despite the potential of CSR disclosures to enhance transparency and accountability, they often fall short due to issues such as greenwashing, inconsistent reporting standards, and limited stakeholder influence. Stakeholder pressure and engagement are crucial in driving accountability, suggesting that increased scrutiny can lead to more responsible corporate behavior. Overall, addressing these challenges requires concerted efforts from both companies and regulators to ensure that CSR reporting serves as a genuine tool for promoting ethical business practices.

LIMITATION

While this literature review provides valuable insights into the paradox of CSR reporting, several limitations should be acknowledged. Scope of Literature: The review is limited to studies published in peer-reviewed journals, which may exclude relevant findings from other sources such as industry reports, white papers, and conference proceedings. This could result in a partial view of the existing knowledge on the topic.

Time Frame: The review focuses on literature published in the last decade to capture recent trends and developments. However, this time frame may overlook earlier foundational studies that could provide additional context and insights.

Geographical Focus: The literature predominantly reflects research conducted in Western contexts, which may not fully capture the nuances of CSR reporting practices in other regions, particularly in emerging markets where regulatory environments and cultural norms differ.

Thematic Focus: The review primarily centers on themes related to legitimacy, greenwashing, and reporting standards. Other relevant aspects, such as the role of technology in CSR reporting or the impact of specific regulatory changes, may not be fully explored.

Interpretation Bias: The synthesis and interpretation of findings are subject to the reviewers' perspectives, which may introduce bias. Efforts were made to present a balanced view, but alternative interpretations could exist.

Despite these limitations, the review provides a comprehensive analysis of the paradox of CSR reporting and offers a foundation for future research to build upon. Addressing the identified gaps and limitations can further enhance our understanding of the complexities surrounding CSR commitments and corporate misbehavior.

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