

Emerging of Pseudo-Sustainability As A Result of Hegemony in Sustainability Reporting: An Imaginary Research Dialogue

Iqbal Lhutfi¹

¹Program Studi Pendidikan Akuntansi, FPEB UPI

Abstract

This research aims to uncover the pseudo-sustainability phenomenon that occurs due to regulatory hegemony from western capitalism over developing countries. This research is an imaginary dialogue between two scholars: Senior and Junior Researchers. Postmodernism is utilised to examine the discussion and to stimulate the researcher's imagination. Sustainability reporting is made not for its original purpose as a form of social and environmental responsibility but focuses on public impressions and tools for public relations to attract more investors and enhance the company's reputation. The company has tried to make the best possible sustainability reporting to get awards and recognition to pursue good corporate governance impressions. This study emphasises how the hegemonic penetration of western capitalism has changed the regulatory framework in developing countries regarding sustainability reporting. This study contributed to uncovering the current issues regarding implementing sustainability reporting.

Keywords: Pseudo-Sustainability, Sustainability Reporting, Hegemony

Abstrak

Penelitian ini bertujuan untuk mengungkap fenomena pseudo-sustainability yang terjadi akibat hegemoni regulasi dari kapitalisme barat atas negara-negara berkembang. Penelitian ini merupakan dialog imajiner antara dua sarjana: Peneliti Senior dan Peneliti Muda. Postmodernisme digunakan untuk mengkaji pembahasan dan merangsang imajinasi peneliti. Pelaporan keberlanjutan dibuat bukan untuk tujuan awalnya sebagai bentuk tanggung jawab sosial dan lingkungan tetapi berfokus pada kesan publik dan alat hubungan masyarakat untuk menarik lebih banyak investor dan meningkatkan reputasi perusahaan. Perusahaan telah berusaha membuat pelaporan keberlanjutan sebaik mungkin untuk mendapatkan penghargaan dan pengakuan untuk mengejar kesan tata kelola perusahaan yang baik. Studi ini menekankan bagaimana penetrasi hegemonik kapitalisme barat telah mengubah kerangka regulasi di negara berkembang terkait pelaporan keberlanjutan. Studi ini memberikan kontribusi untuk mengungkap isu-isu terkini tentang penerapan pelaporan keberlanjutan.

Kata Kunci: Pseudo-Sustainability, Pelaporan Keberlanjutan, Hegemoni

Corresponding author. iqbal.lhutfi@upi.edu

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INTRODUCTION

I started some thoughts from this research when I was trying to find what topics and phenomena I could make as the topic for my dissertation. Ideas began to emerge in early 2022. I saw a lot of news about the war between Russia and Ukraine, which caused an energy crisis in Europe and America marked by soaring oil and gas prices. The effect of the oil and gas increase has made European countries look for cheaper energy alternatives from countries that are still willing to provide these energy sources. The best choice was coal, purchased by one of them from Indonesia.

The fact that this is happening when European nations that assert to be sustainable in terms of environmentally friendly energy and are actively promoting sustainability reports are looking for coal energy sources that have a very obvious impact on air pollution is slowly disturbing my way of thinking.

My mind goes back to the Paris Agreement in 2015, a legally binding international agreement on climate change. 196 Parties adopted this agreement at COP 21 in Paris, aiming to limit global warming well below 2, even up to 1.5 degrees Celsius. To achieve this goal, adopting countries cooperate in fighting climate change and adapting to its impacts.

The war and the energy crisis in early 2022 and the 2015 Paris agreement made an anecdote in my mind because how can European countries campaign for environmentally friendly policies but still buy coal that pollutes the air? Can the war conditions between Russia and Ukraine be used as justification for this action? Then is there sustainability with this? Or did it ever exist? Or is this just a mirage created to give a certain impression?

Sustainability reporting has established itself as an important aspect for companies. Companies' interest in sustainability reporting is driven by the potential benefits of sustainability reporting initiatives, such as enhanced reputation (Fombrun, 2005; Lewis, 2003). This reflects the

idea that companies "do well by doing good." Other benefits associated with sustainability reporting include avoiding excessive government regulation, saving costs, attracting favourable media coverage, and reducing resistance from stakeholders (Levine, 2008; Tench et al., 2007). Stakeholders must be aware of sustainability reporting activities to derive regeneration benefits from them, while skepticism about the motives of sustainability reporting can prevent the accrual of company benefits (Du et al., 2010). Researchers have sought ways to inhibit stakeholder skepticism (Forehand & Grier, 2003).

According to Fan Shuai et al. (2014), companies can act hypocritically even though they claim to be socially responsible. Instead of fulfilling their social obligation, they were more interested in building a positive reputation to gain some advantage.

Companies in Indonesia are vying to produce this report to claim the title of an environmentally friendly company. Indonesia is a developing nation that has been "dragged" into the vortex of sustainability reports. If this is done honestly, it will unquestionably have a positive effect; nevertheless, if this is purely a public relations product meant to improve the company's reputation and create the idea that it has good corporate governance, it will have the opposite effect. Based on Lhutfi's research (2022) also said that Indonesia is not only exposed to the private sector, but sustainability issues also penetrate the public sector in local government.

Kwarto (2021) states that oil and gas companies operating in Indonesia have received various sustainability report awards. Still, on the other hand, these companies also have findings of violations by the State Audit Board of the Republic of Indonesia. The search results based on a systematic literature review over the last 10 years confirm deviations in sustainability reporting practices. The sustainability report's deviation and reporting cannot go hand in hand. A company that commits a deviation from a sustainability report may not have an accurate

sustainability report. Still, the company's achievement is not only reporting obligations but also getting awards from various prestigious independent sustainability assessors. On the other hand, evidence of sustainability deviations and achievements indicates that sustainability reporting practices and processes contain bias factors. This bias can occur due to a mismatch between practice and reporting, which can originate from dishonest practices.

Referring to the discourse the author thinks about above, this study aims to reveal the pseudo-sustainability phenomenon that occurs due to the hegemonic regulation of western capitalism towards developing countries. To explain this research, the writer uses an imaginary research dialogue framework with a postmodernism perspective. An imaginary conversation between two people is affected by mentioning both the Senior Researcher and the Junior Researcher. Both have postgraduate degrees from prestigious universities. A man with the title of Professor with sufficient knowledge and expertise in sustainability reports is considered a senior researcher. Junior Researcher is a male doctoral student who wants to take a dissertation topic in the field of sustainability reports. Both focus on discussing phenomena related to sustainability reports.

Senior Researcher : Junior, do you know about sustainability reporting?

Junior Researcher : Yes, Senior, as far as I know, it is a report issued by the company regarding the sustainability aspects that they have implemented

Senior Researcher : What concepts do you have in mind when these sustainability aspects are included in a report?

Junior Researcher : In my opinion, the idea falls within the scope of economic, social, and environmental concerns, which also cover corporate management.

Senior Researcher : So, if the company has reported it, can it be concluded that they have factually implemented it according to the primary purpose and philosophy of making the report?

Junior Researcher : Maybe if we only looked at what was reported, these conclusions could be drawn, but of course, the facts on the ground could be different

Senior Researcher : Do you know about the Russia – Ukraine war earlier this year? And what is the impact of the energy crisis on European and American countries?

Junior Researcher : I often see it on the news, Senior.

Senior Researcher : So, what do you think is unique about this event?

Junior Researcher : I haven't seen it, senior. Can seniors explain?

Senior Researcher : Of course, from the news you read, one news states that European and American countries buy coal in large quantities when oil and gas supplies from Russia are reduced, right?

Junior Researcher : Yes, I read the news senior

Senior Researcher : That is interesting, as a country that campaigns for sustainability reporting, especially with the 2015 Paris agreement, countries with a good reputation for sustainability buy coal which has the potential to pollute the air and is a non-renewable energy source.

Junior Researcher : Wow, I just realised it, senior. And yes, this seems odd.

Senior Researcher : Those who implement sustainability reporting

hegemony cannot hold their commitments regarding what they say. This is a mistake.

writing so that readers more easily understand them.

The dialogue above is the starting point of this research, which tries to reveal phenomena and issues related to sustainability reporting through imaginary research dialogues. This research aims to uncover the pseudo-sustainability phenomenon that occurred due to regulatory hegemony from western capitalism over developing countries.

METHOD

Postmodernism is used as a separate way to bring up ideas in the minds of researchers based on the observed and unobserved phenomena of sustainability reports (Sukoharsono, 2018). Two researchers are made to have an imaginary dialogue. In this study, they are called Senior Researcher and Junior Researcher. Both are postgraduate graduates from well-known universities. A senior Researcher is a man with the title of Professor with adequate knowledge and experience related to sustainability reports. Junior Researcher is a male doctoral student who wants to take a dissertation topic in the field of sustainability reports.

Senior Researcher : Junior, what do you think about the methods of postmodernism?

Junior Researcher : I understand it as a deconstructive, Senior.

Senior Researcher : That's right, and postmodernism can also open our minds to explore ideas without limits. Then what do you think about imaginary dialogue, junior?

Junior Researcher : I think that's one of the methods used in postmodernism, Senior.

Senior Researcher : Accurate, we can use this method within the framework of postmodernism to explore our thoughts and put them into

PSEUDO-SUSTAINABILITY IN SUSTAINABILITY REPORTING

Senior Researcher : Junior, what do you think about the disclosure of sustainability reporting we discussed earlier because many irregularities still occur? What do you think is the real purpose of making this report?

Junior Researcher : Senior, I suspect many companies have moved away from their primary goal of creating sustainability reporting. Can I say their goals have changed?

Senior Researcher : Then, now, what direction do you think they are headed?

Junior Researcher : Maybe it's not far from the public's impression. Perhaps you can explain it to me, senior

Senior Researcher : Yes, that's right, it's about public impression. Sustainability reporting is being used to spread public confidence to ensure responsible corporate behaviour. With the availability of sustainability reports on the internet, the public is urged to believe that transparency is a way to ensure responsible social behaviour from companies. The transparency discourse creates the impression that sustainability reporting is accurate because the internet will be used to reveal irresponsible corporate behaviour.

Junior Researcher : So this is a tool used to build a company's reputation. Is that so senior?

Senior Researcher : So true. Companies want to appear credible and transparent in their sustainability reporting. This is in line with the attention to governance transparency in their annual reports.

Junior Researcher : How far is sustainability reporting included in the elements of governance, senior?

Senior Researcher : Many sustainability reporting elements are included in corporate governance, and this is a strategic point for companies to improve their reputation. The company itself can assess its governance. Even though a third party can carry out the assessment, the accuracy of the assessment also has the potential for bias because the directors or commissioners of the company can appoint the third party.

Junior Researcher : But, can it be concluded by reporting that the company has fulfilled what was reported, senior?

Senior Researcher : So, that's the impression they want to show, including you getting that impression, right?

But let me explain a few things:

1. The idea of sharing information is deceptive. Just because the information is disclosed doesn't mean it is meaningful and understood by the

recipient. The information must be actively processed into knowledge by attaching meaning to the data.

2. Second, receiving too much information can overburden the reader
3. Revealing information cannot be equated with "presenting facts." Information presented as neutral and objective "truth" can legitimise certain perspectives and interpretations and obscure the interests of the informant. Thus, companies communicate strategically to influence the perception of the meaning of information.

Corporate discourse that upholds transparency strengthens the acceptance of pseudo-sustainability in sustainability reporting. Claims of corporate transparency have become a hypothesis that is more often accepted than critically evaluated. The internet is becoming a mechanism for "validating" corporate transparency claims. Socially responsible consumers tend to believe that if corporations cheat, someone (i.e., a more highly motivated activist) will find them through information on the internet and spread the word via the internet.

HEGEMONIC POWER ON SUSTAINABILITY REPORTING

Senior Researcher : Have you ever heard of hegemony theory, junior?

Junior Researcher : What I know is that the theory of hegemony was introduced by Gramsci senior.

Senior Researcher : Well, you're right. Antonio Gramsci introduced the theory

- of hegemony. Continuing our discussion earlier, what do you think we can analyze from the phenomenon of pseudo-sustainability if we use hegemonic theory?
- Junior Researcher : What I understand is that western capitalist countries and liberalist countries initiated sustainability reporting, and seeing that sustainability reporting has now penetrated all corners of the world, of course, these western countries use a hegemonic power
- Senior Researcher : That's right, junior, that's what happened
The expansion of capitalistic hegemonic power on an international scale can be described as a "passive revolution" in the countries it covers. It consists of absorbing universal ideas, norms, rules, and institutions, which transform the former constitution of society. This revolution was led by a higher hierarchical group supported by international organisations. The pattern of world hegemony is a constellation of universal norms embodied in a particular international organisation. This international organisation produces the necessary special institutions, which ensure these universal norms and hence a certain hegemonic ideology. You can see that the United Nations initiated the sustainable development goals, forming the GRI organisation, which created sustainability reporting standards.
- I can see a thick cloud over your mind, junior.
- Junior Researcher : And the hegemony is passed down to all countries, including developing countries? And Indonesia is affected, so senior?
- Senior Researcher : According to the neo-Gramscian hegemony, neoliberal capitalism is based on certain international agreements and universal norms, which are ensured by international institutions and are magnified through "passive revolutions" on an international scale.
We can see that when the sustainability development goals were initiated by the United Nations, which is an international organisation, this forced all countries to adopt the sustainable development goals.
- Junior Researcher : I can understand how Indonesia has adopted sustainable development goals, and even now, it has reached the local government level.
- Senior Researcher : Now, an enormous hegemony will reduce it to another hegemony—Indonesia, which is affected by the hegemony of international institutions applying this hegemony to its regional governments. Furthermore, hegemony will continue on a smaller scale.
- The implementation of sustainability reporting raises questions about the relationship between different ruling powers, which embody the current hegemonic neoliberal capitalism. The

discourse that sustainability reporting is derived from a highly hierarchical group supported by international organisations, which spreads to all levels of both the private sector and the public sector.

Sustainability reporting is now embedded in corporations globally. Today, companies have to make a profit and contribute – or at least not harm – the communities and environments in which they operate. Although many definitions describe sustainability reporting as "voluntary," expectations for sustainability reporting implementations appear to be increasing. Many countries, such as Denmark, Sweden, and France, require some form of reporting on social and environmental issues. Companies must report sustainability reporting in Indonesia based on SE OJK No 16 of 2021.

The continuous hegemonic authority has internalised its goal, rendering it incapable of exerting external control. Therefore, it might be challenging to raise a complaint when something is assumed to have been supplied purposefully and is present as though it were a common occurrence.

CONCLUSION

Sustainability reporting has become a hegemony campaigned by western countries that adhere to capitalism and liberalism. The hegemony that occurs creates a new phenomenon in which many companies apply pseudo-sustainability for the sole purpose of gaining a reputation. Companies can also use the components of sustainability reporting that fall within the corporate governance category to enhance their reputation.

Sustainability reporting should not have a strong instrumental focus on furthering corporate interests but also have a stake in moral issues. We must work to encourage stakeholder skepticism and not suppress it. The public must be encouraged not to accept discourse on corporate transparency that claims corporations cannot hide information from stakeholders.

Pseudo-sustainability reporting is a new term created by combining the words "pseudo" and "sustainability reporting," separated during its deconstruction. In contrast, "sustainability reporting" refers to the disclosure and communication of environmental, social, and governance information. Companies should assume all responsibilities related to their employees, communities, the environment, customers, and other social responsibilities to pursue their economic objectives. Pseudo-sustainability reporting can be interpreted as a false environmental, social, and governance (ESG) behaviour, which indicates that the company exaggerates its current sustainability reporting efforts to please the public and make money rather than practising what it preaches about ESG responsibility.

Pseudo-sustainability conduct does not just happen by accident; companies carefully consider all possible outcomes before engaging in such behaviour. Simply put, companies would assess the effects of engaging in or refraining from pseudo-sustainable activity. If companies don't practise "pseudo-sustainability," they will act in a way that is contrary to what sustainable development requires, unavoidably draw criticism from people from all walks of life, damage their corporate image, and harm their economic interests. At the same time, other companies benefit from this behaviour, but since companies themselves didn't receive the same benefit, it is also regarded as a "loss," relatively speaking. Because there is little access for outsiders to information inside the company, fraud revealed by companies that engage in pseudo-sustainability practises has a meager chance of being discovered. Even if lies are discovered, it is challenging to subject oneself to appropriate legal penalties following existing laws, and the cost is minimal. Analysis of firm pseudo-sustainability initiatives' motivation from the perspectives of economic interests, the outside world, exposure risk, and punishment

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