



# Application of Green Innovation and Corporate Social Responsibility to Increase Company Value in Every Firm Life Cycle : Systematic Literature Review

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## Abstract

*The attention of management and practitioners is currently directed towards green innovation. Environmental damage that occurs in various countries has made stakeholders, including governments as policy makers, companies and society, pay serious attention. Increasing global concern for the environment has encouraged companies to implement increased pro-environmental practices and activities, so they tend to become more competitive and environmentally friendly. The purpose of this article is to provide green innovation (GI), CSR, company value and company life cycle methods from a comprehensive review, analyzing the article based on a systematic literature review. This study analyzed articles published from the first article, namely 1952, discussing the topic of corporate values and firm life cycles until 2023. This study analyzed articles published from the first article, namely 1952, discussing the topic of corporate values and firm life cycles until 2023. There are 5 top topics explored in this study, namely: corporate social responsibility, environmental innovation, life cycle, value and company growth. But, the discussion raised around the above topics is mostly CSR practices, sustainability, environmental performance in each company's life cycle. Article collection using Publish or Perish with Google Scholar (1,002) and Proquest (71) data base so that the total data is 1,073. Furthermore, the data is processed using Vos Viewers to produce more real mapping.*

**Keyword : Firm Life Cycle;, Corporate Social Responsibility; Green Innovation; SLR**





## 1. INTRODUCTION

Global warming is one of the world's main problems today. Rising global concern for the environment has driven companies to adopt pro-environmental practices and activities at an ever-increasing rate, facilitating them to become competitive and environmentally friendly (Farrukh et al., 2020). Businesses face huge challenges along with many opportunities, especially in the energy sector where demand for electricity is increasing day by day (Nassani et al., 2022). Stakeholders are exerting pressure to provide green energy, therefore, these organizations are constantly looking for effective and pro-environment methods and procedures. Green innovation is one solution to this problem. Nowadays, the global world attaches great importance to environmental protection (Tjahjadi et al., 2020). We must not sacrifice the ecological environment for temporary economic development. As a mainstay of Indonesia's market economy, the company faces the challenges brought by environmental changes by realizing the importance of economic growth; Companies should also take more responsibility to protect the ecological environment.

The attention of management and practitioners is currently directed towards green innovation. Environmental damage that occurs in various countries has made stakeholders, including governments as policy makers, companies and society, pay serious attention. Exploitation of resources without being based on natural sustainability will be very detrimental to natural sustainability (Dai & Xue, 2022). The current generation must also think about the sustainability of resources that will also be needed by the next generation. Maximizing company value is an important task for managers that must always be paid attention to because this is the focus of shareholders (Agustin Ekadjaja, 2021).

The implementation of Green Innovation (GI) aims to prevent environmental risks, save the atmosphere and encourage businesses to meet new market demands, build value and improve financial and non-financial performance (Zhang et al., 2022). Green Innovation began to be researched in 1999, and is still interesting in all fields such as marketing, finance and economics. GI has been researched in journals "Twenty Years of Green Innovation Research: Trends and Way Forward" this article examines GI over the past 20 years (Farrukh et al., 2020). This indicates that the world is paying great attention to doing business while prioritizing environmental sustainability. This is the basis for the importance of green innovation implemented by companies.

Investments made by companies through Corporate Social Responsibility (CSR) are a form of corporate social responsibility (Zhang et al., 2022). In line with this, the company will also create innovations that are environmentally friendly (green innovation). The





strategy carried out by the company in improving business performance in GI practices is to treat waste, minimize air pollution, gas emissions, save resources. This green innovation can align the relationship between CSR and company success (Liu et al., 2021). In the end, improving company performance can be achieved by combining CSR and environmentally friendly innovation.

This research takes the form of a literature review that looks for research related to CSR, company value, Green Innovation and firm life cycle. In this study the researcher will examine the research that has been carried out and what topics are relevant to this. This shows that the company pays attention to environmental sustainability not only in current conditions but also environmental sustainability.

## 2. LITERATURE REVIEW

The value of the company is very important for the company because it determines the strength of its business and sustainability. A good company must be able to manage its financial and non-financial potential. In order to maximize the value of the company for its long-term survival (Erlangga et al., 2021). There are many factors that can improve. The implementation of CSR can increase the legitimacy of the company, so that it can provide positive value in the form of public trust and legitimacy towards the company. Giving positive signals in the form of information related to CSR is expected to reduce information asymmetry between management and stakeholders and increase stakeholder trust and legitimacy in the company. This will improve the company's image and increase public interest in investing in the company through stocks. In the end, the price and value of the company's shares also increased (Fauziah et al., 2021).

Based on Publish or Perish's search from google scholar, research has been started since 1952 until now with the keywords "firm value" and "firm life cycle" there are 998 papers. With the keywords "Corporate Social Responsibility" and "Green Innovation", there are only 2 papers published, namely 2022 and 2023. With the keywords "corporate social responsibility" and "firm life cycle", there are only 2 papers published, namely 2021. Searches on Pro-Quest for the last 4 years, from 2020-2023 there are 71 studies about green innovation.



**Table 1. Database search summary (1952-2024).**

Keywords	Field	Type of document	Language	Quantity
"firm value" and "firm life cycle"	All	All	All	998
"Corporate Social Responsibility" and "Green Innovation"	All	All	All	2
"corporate social responsibility" and "firm life cycle"	All	All	All	2
Green Innovation	All	All	All	71
Total				1.073

Source: data processed by researchers, 2023

**Table 2 Number of articles by database**

Database	Number of articles by database
Google scholar	1.002
Proquest	71
	1.073

Source: data processed by researchers, 2023

## 2.1 Stakeholder theory

Stakeholder theory, which explains the relationship between a company and its stakeholders, can be used in explaining environmental actions, behaviors, and strategies (Yu et al., 2022). Stakeholder theory states that a company that is able to survive for a long time depends on stakeholder tendencies. Corporate social responsibility is a testament to the company's promise to the public and stakeholders. Stakeholder theory argues that the interests of all stakeholders should be incorporated into business policy without explaining how it can directly affect the organization's operations and performance (Olateju et al., 2021). According to legitimacy theory, underperforming companies are more likely to report on their CSR activities to gain acceptance from their constituents and limit negative exposure (Najjar & Dahabiyeh, 2021). Stakeholder theory in green innovation research states that managers/senior officials, as core stakeholders in Green Innovation decision making, ultimately shape environmental policy (Yu et al., 2022).



## 2.2 Legitimacy theory

Legitimacy theory (1975) calls on businesses to operate according to norms set by society (Bhatia & Dhawan, 2023). If an organization engages in CSR, then the organization will acquire legal status, and if not, the organization may face certain risks such as reputational risk, market risk, adversarial risk, financial risk, and so on (Olateju et al., 2021). Legitimacy theory has been widely used to explain the diffusion and adoption of digital innovations such as open-source software and professional services automation. Legitimacy theory offers powerful dimensions (cognitive, pragmatic, normative, and regulative) that can enrich our understanding of how trust in the sharing economy is affected by different types of legitimacy (Najjar & Dahabiyeh, 2021). The theory of legitimacy is the basis for implementing CSR. With these fundamental guidelines, the government brings "economically viable" companies into the scope of CSR contributions. Spending on social activities is made parallel to the financial viability of the company – the greater the affordability, the greater the expenditure on social contributions. Following Carroll (1979), the government took economic capability as the determining factor

## 2.3 Firm life cycle theory.

The life cycle can affect a company's ability to invest in corporate social responsibility. Corporate life cycle theory states that the company's resources, capabilities, and structure will change significantly with the stages of the company's growth. A company's life cycle is used as a factor that varies over time to predict financial policies such as capital structure, dividends, and cash holdings. A non-sequential measure to capture a company's life cycle by using cash flow patterns. The function of the cash flow pattern as a proxy is that cash flow shows the company's overall financial information compared to the size of the company's sales growth, the size and age of the company. Dickinson developed the stages of the company's life cycle based on differences in operating, investment, and funding activities to see differences in company performance and resource availability. The three components of cash flow marked negative/positive can be used to map the stages of the life cycle. This cycle is grouped into five stages: recognition, growth, maturity, shaking, and decline (Buasai et al., 2021).





### 3. RESEARCH METHOD

This study uses systematic literature review to review research that has been done previously on the topic of discussion. Literature review is a critical process in collecting, evaluating, and synthesizing various literature sources relevant to the research topic. In this study, systematic literature review was used using publish or perish tools and vos viewers. Some of the steps used in the preparation of systematic literature review are (Schwartz et al., 2022) :

- (1). Dedicate time to researching the topic more deeply
- (2). Use a framework
- (3.) Use multiple databases
- (4.) Use a reference manager
- (5.) Good literature review on a recurring basis
- (6.) Focus on searching and be efficient
- (7.) Can consult with research librarians.

The researcher has carried out the first stage by spending time studying topics regarding green innovation, CSR, firm value and company life cycle. The second step in this research uses the frame work of publish or perish (PoP) to make it easier to search and map research that has been carried out previously. The data base used by researchers comes from Google Scholar. Researchers use the Mendeley application reference for citations. The review literature was studied in such a way using the VosViewer analysis tool which helps provide a more structured picture of various previous studies. The search focuses on the targeted research variables so that it does not spread everywhere.



## 4. RESULT

### 4.1 Systematic Literature Review

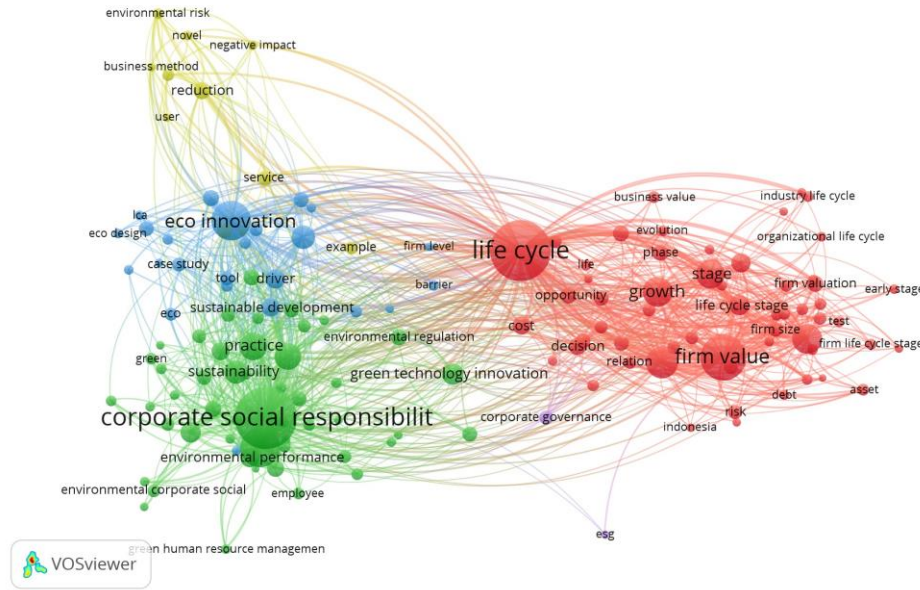


Figure 1 Research Content

Source: data processed by researchers, 2023

The content of the study generally consists of 5 clusters as follows :

CSR	Life Cycle	Firm Value	Eco Innovation	Growth
Environmental corporate social	Firm level	Firm size	Green Technology innovation	Stage
Mediating role	Barrier	Opportunity	Environmental regulation	phase
Mediating effect	Life	Cost	Environmental risk	Early stage
Green human resource management	Cost	Corporate governance	Business method	Evolution

Practice	Life cycle	Firm valuation	Reduction	
Society	Industry life cycle	Debt	Negative impact	
Sustainable	Organizational life cycle	Asset	Service	
Regulation		Risk	Tool	
		Business value	Case Study	
			Eco design	

Source: data processed by researchers, 2023

In the picture, it can be seen that there are 5 top topics that have been explored, namely: corporate social responsibility, eco innovation, life cycle, firm value and growth.

1. Corporate Social Responsibility
2. Eco innovation
3. Life cycle
4. Firm value
5. Growth

### Systematic Literature Review

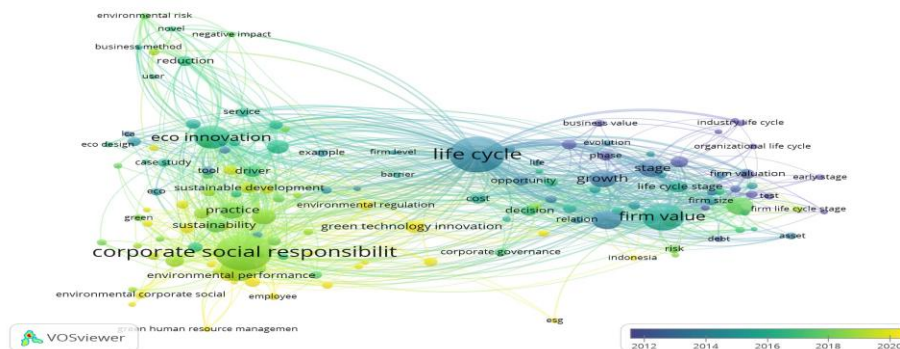


Figure 2 Research Content & Year

Source: data processed by researchers, 2023





## 5. DISCUSSION

This research is only based on data from Google Scholar and Proquest, for future research is expected to examine further from various article search sources such as Scopus, Scient Direct and others so that it can better reflect variables more comprehensively. Research on the firm life cycle associated with other variables is interesting to examine because each stage of company development has its own characteristics and will affect other parts of the company.

## 6. CONCLUSION

Based on Publish or Perish's search from google scholar, research has been started since 1952 until now with the keywords "firm value" and "firm life cycle" there are 998 papers. With the keywords "Corporate Social Responsibility" and "Green Innovation", there are only 2 papers published, namely 2022 and 2023. With the keywords "corporate social responsibility" and "firm life cycle", there are only 2 papers published, namely 2021. Searches on Pro-Quest for the last 4 years, from 2020-2023 there are 71 studies about green innovation. In the picture, it can be seen that there are 5 top topics that have been explored, namely: corporate social responsibility, eco innovation, life cycle, firm value and growth.

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