

Sustainable Palm Oil: What Drives it and Why Aren't We There Yet?

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ABSTRACT

Manuscript type: Research paper

Research aims: This study explores the institutional pressure and motivation that drives Malaysian palm oil companies to embark on sustainability practices, and uncovers the impediments of substantive change in producing truly sustainable palm oil.

Design/Methodology/Approach: A case study methodology was employed, gathering primary and secondary data through semi-structured interviews with the company's personnel and external stakeholders, through informal conversations and group discussions with company workers, document analyses, and observations. The neo-institutional and legitimacy theory were used as the primary lens to explain the study findings.

Research findings: The results indicate that both external pressures and internal issues have forced the company to engage in sustainability practices – primarily through certification. Unlike the independent stakeholder pressure found in previous studies, a chain reaction of pressures was found from NGOs and competitors

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to multinational buyers, whom in turn put pressure on the case company, thus jeopardising their financial bottom lines. Regulatory pressures, conforming to the industry norms, wooing host country's government, investors, and financiers add to the external motivation. Reputational problems and labour shortages, business case for sustainability, and the philanthropic nature of family-owned firms are the internal elements behind the endeavour. The barrier to change towards sustainability was mainly caused by cost concern, technical difficulties, mindset of workers, unsupportive business environment and impracticalities of safety equipment design.

Originality/value: The findings shed light on the inner motive and barriers of change towards producing sustainable palm oil, the understanding of which is vital in driving further substantive changes in the palm oil industry towards sustainable development.

Research limitation/Implication: The study was restricted to a single case company in the Malaysian palm oil industry and hence, generalisation of the study findings onto another context should be done in a cautious manner.

Keywords: Organisational change, Neo-institutional theory, Legitimacy theory, Palm oil, Sustainability reporting and practice
JEL Classification: Q56

1. Introduction

The production of lucrative cash crops such as palm oil in developing countries has offered potential opportunities to spur rural economic development and alleviate poverty (Gatto et al., 2017; McCarthy et al., 2012). Palm oil has been among the anchor for the economic development of major world exporters such as Malaysia, where its agriculture sector contributed to 8.2 per cent or RM96 billion to the country's Gross Domestic Product (GDP) in 2017 alone, and palm oil makes up 46.6 per cent or RM44.736 billion of the agriculture industry (DOSM, 2018). However, the production of palm oil raises significant environmental and social concerns. Palm oil has been identified as a significant contributor to deforestation and loss of biodiversity. It has caused severe haze in Southeast Asia and emits toxic greenhouse gases (Sundaraja et al., 2020). This has instigated land conflicts with indigenous communities. The production lines in the palm oil sector have also been accused of having child, forced, undocumented and/or mistreated labour issues and hence, it is the world's most socially and environmentally contested industry (Edwards, 2016). These issues raised the pressure for palm oil companies to evolve towards producing sustainable palm oil.

The pressures, however, are intricate and complex. There is a lack of empirical research that examined the pressures and the specific stakeholders that the palm oil companies view as influential in driving the organisation's uptake of sustainable practices as well as the specific factors that impede substantive change to happen in the industry. Most previous studies examining the motivation for companies to adopt sustainability practices concentrated on corporations in developed countries (Mata et al., 2018), and there is great potential to shed light on non-Western perspectives that will birth the possibility of expanding the scope of problems considered and gain a better understanding of cultural, political and institutional forces at play in developing solutions towards sustainable development (Adams et al., 2019).

Moreover, as pointed out by Adams and McNicholas (2007), there is lack of research on reasons why companies fail to be accountable for some aspects of their sustainability performance and the specific settings that cause this situation. Answers to these issues provide an understanding of the actual motives that drive organisations to engage in sustainability practices and what impedes the changes, which would enable better predictions of corporate sustainability-based behaviours and hence, change efforts towards sustainability could be better directed. Therefore, to address the abovementioned lacuna, through engagement-based research, this study aims to: 1) explore the drivers of change towards sustainability for the case company and 2) explain the impediments of change and how it arises for policy recommendation in encouraging more substantive change towards sustainable production of palm oil for the world consumption.

The remaining paper is organised as follows. Section 2 reviews the literature on sustainability and the underpinning theories. Section 3 discusses the research methodology used whilst Section 4 presents the findings. Section 5 concludes the paper by discussing the results and their implications.

2. Literature Review

The investigation of the corporate motivation behind sustainability endeavours and practices is an important area in corporate sustainability or corporate social responsibility research (Adams, 2002; Deegan, 2002; O'Dwyer, 2002; Sie & Amran, 2021). This area of research has suggested multiple corporate motives ranging from the quest to manage stakeholders (Deegan & Blomquist, 2006; Tilt,

1994), secure legitimacy (Adams, 2002; Campbell, 2003; Deegan, 2002; O'Dwyer, 2002; Wæraas & Ihlen, 2009), manage risks to their reputation (Georgakopoulos & Thomson, 2008), and in the case of Malaysia and Australia, to enhance corporate reputation (Yusoff & Lehman, 2009). From a timeline perspective, the motivations for sustainability endeavours and its outcomes have evolved, which reflect the growing strategic importance of the practice (Higgins et al., 2015). In the early stages, corporations embark on sustainability to secure their legitimacy as they face social pressures (Deegan, 2002; Lindblom, 1994). Today's sustainability motivation also includes other strategic benefits (Morhardt, 2010). The motivation for sustainability includes the parameters of market, social, political and accountability. In the context of market, sustainability endeavours aim to improve competitive positions, while in the social context, it is to manage the stakeholders' challenges, and in the political context, to reduce political pressure and further regulation, whereas in the accountability context, it is to play their part in sustainability outcomes (Higgins & Coffey, 2016). These motivations show a widening of the business case that is beyond legitimacy to include other benefits of sustainability practices (Higgins et al., 2018).

Other than the external factors mentioned above, internal factors also play a role in determining how and why corporations practice sustainability. Adams (2002) identified a multiplicity of corporate characteristics (size, industry, profit, or financial performance) and contextual factors (country of origin and relative variety of social, political, and legal factors, social and political changes, economic cycles, cultural, specific events, media pressure, and stakeholders' power) which influence managers' decisions and the role of individual champions (Arroyo, 2012; Gray et al., 1995a). Baje et al. (2020) also found firm size, firm age, profitability, board size, and industry sensitivity to have positive influence on sustainability endeavour. Since corporate motivation to embark on sustainability is variegated (Spence et al., 2010), how these factors come together and influence the choice and process of sustainability practices remains unexplored and unclear (Baldarelli et al., 2014).

In terms of impediments to organisational change, based on a study by Passetti et al. (2018) in the last 20 years, organisational change has attracted a vast amount of researchers' attention, with mixed and inconclusive findings in terms of whether and how corporations change their processes, instruments, policies and interpretive schemes, and which factors drive or impede changes (Adams &

McNicholas, 2007; Contrafatto & Burns, 2013; Larrinaga-González et al., 2001). Organisational change is not a linear path because changes are required in practice as well as in the ways of thinking (Bebbington & Fraser, 2014). While there is extensive research on organisational change per se, there is a dearth of research investigating change towards sustainability (Narayanan & Adams, 2016), and only a few studies have examined the process of organisational change to embed sustainability practices in organisations (Adams & McNicholas, 2007; Gray et al., 1995b; Larrinaga-González & Bebbington, 2001). More recently, Bebbington and Fraser (2014) have also emphasised the importance of focusing on processes of organisational change.

Transforming towards sustainability is much more critical for the corporation in 'sensitive industries' in the global quest towards sustainable development. Sensitive industries are defined as companies that have activities which have an important impact on the environment and society where it operates. These industries are agriculture, automotive, aviation, chemical, construction, construction materials, energy, energy utilities, forest and paper products, logistics, metal products, mining, railroad, waste management, and water utilities (Fernandez-Feijoo et al., 2014). Palm oil as one of the sectors under the agricultural industry dominating the landscape of Malaysia and Indonesia. Research on palm oil has been increasing at a steady rate in recent years, where searching the 'palm oil' keyword on SCOPUS revealed that related journals has increased from 340 in 2009 to 989 in 2017. However, the majority of the 9245 articles returned address agricultural and biological sciences, chemistry, and chemical engineering, while only a small number were related to social sciences (3.33% of the total) or business, management, and accounting (2.51%) (Corciolani et al., 2018). Therefore, both Corciolani et al. (2018) and Hansen et al. (2015) suggested that more studies about non-residue topics, such as biodiversity and economic, social, and environmental issues, could be particularly useful in analysing alternative aspects of palm oil production and consumption. This lack of research takes on special significance because of palm oil sector's distinct environmental, social, and economic influence over developing countries, especially for the main producer country namely Malaysia.

2.1 Theoretical Framework

Institutional analysis has been applied in examining the plethora of organisational initiatives which includes understanding sustainable

and responsible corporate behaviour, and increasingly, sustainability management accounting as well as sustainability reporting (Chen & Roberts, 2010).

The institutional theory directs attention towards forces in the realm of a social process that lies beyond the organisational boundary (DiMaggio & Powell, 1983). Firm's actions are determined by a set of legitimate options determined by a group of stakeholders composing the firm's organisational field, rather than being seen as choices made from unlimited alternatives of possibilities determined by purely internal arrangement. This influence is manifested in institutions where rules, norms, and beliefs describe reality for the organisation. In short, the theory is concerned about "how social choices are shaped, mediated and channelled by the institutional environment" (Hoffman, 1999, p. 351).

The basic principle of the institutional theory asserts that institutional mechanism exerts pressures on individual organisation within fields, which then result in isomorphism or homogenisation of the organisation's practices and structures. Isomorphism is driven by three types of mechanisms which are normative, coercive, and mimetic (DiMaggio & Powell, 1983) or normative, regulative, and cognitive pillars as described by Scott (2014). These differing mechanisms do not mean that they exclude each other; rather, they are more likely to operate at different levels. In the context of sustainability reporting practice, institutional theorist view reporting to not necessarily be an outcome of a rational decision-making process by an organisation acting independently. Rather, sustainability reporting could be an institutionalised practice within fields which determine whether firms will publish a sustainability report and how they will do so.

As institution sustainability reporting would comprise of normative, regulative, and cognitive structures and activities that would then describe types of reporting produced, for whom, by whom and for what purpose (Higgins & Larrinaga-González, 2014). As fields have been shown to be also issue-driven, the relationship between social and environmental issues engulfing organisations in certain industries especially the high impact-sensitive industries such as oil and gas, nuclear and agriculture and how, why, for whom they engage with sustainability accounting and reporting could be explained from an institutional perspective according to these three mechanisms.

The legitimacy theory has also been the dominating perspective used to explore motives behind sustainability reporting practice

of corporations (Campbell, 2003; Hooghiemstra, 2000; O'Dwyer, 2003). Legitimacy is broadly defined by Suchman (1995, p. 574) as a "generalised perception or assumption that the action of an entity is desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definition." In a dynamic society, neither the sources of institutional power nor the needs for its services are permanent. Therefore, an institution must constantly meet the twin tests of legitimacy and relevance by demonstrating that society requires its services and that the groups benefiting from its rewards have 'society's approval'. Organisational survival will be jeopardised if society perceives that the organisation breaches its social contract when they are not operating in an acceptable and legitimate manner, where society will revoke their licence for the company to continue operations through for example, reducing demand for the product or through a product boycott (Deegan, 2002). The societal expectation thus will shape how the corporation conducts its activities. However, these societal expectations are not fixed and change over time, requiring the company to be responsive to the environment in which it operates (Guthrie et al., 2004). Legitimacy is an important resource in which reporting entities are dependent for its survival (Dowling & Pfeffer, 1975). Therefore, if managers perceive that their organisation has fallen out of the social norms and values of the society in which it operates, they will take the process of legitimation.

The definition of legitimacy itself as being discussed above focuses on the adoption of practices or policies that can influence society's appraisal and disclosure by being the medium to change this perception which will, in turn, depreciate or appreciate firms' legitimacy (DiMaggio & Powell, 1983; Suchman, 1995). From this point of view, social and environmental reporting plays an important role in the process of gaining, maintaining, or repairing legitimacy, because it may or may not be useful in increasing stakeholders' knowledge on corporate activities, impact and performance achieved.

Deegan et al. (2000) suggested that it is always better to obtain deep insights through more than a single theory in order to obtain complete understanding of the practice. Berrone and Gomez-Mejia (2009, p. 104) aptly highlighted the interconnection between the most commonly used theories in the social and environmental accounting literature, in which "the main thesis of institutional theory is that organizations enhance or protect their legitimacy (Scott, 2014) by conforming to the expectations of institutions and stakeholders (DiMaggio & Powell 1983; Aldrich & Fiol 1994)." These theories,

taken together, could offer fuller insight into the reality of corporate practice by the focal company in this study.

3. Methodology

The study used a qualitative approach - specifically a single case study of a Malaysian palm oil company. Multiple data sources were collected for triangulation purposes, namely, 45 semi-structured interviews with internal and external stakeholders (e.g., the Chief Executive Officer, Head of Departments, Estate Managers, general workers), one group discussion, eight informal interviews, ten types of internal documents, 16 years of annual reports and observation. Data gathered was analysed thematically. Thematic analysis is a method of identifying, analysing, and reporting patterns (themes) within data. Thematic analysis organises and describes the data in rich detail (Braun & Clarke, 2006). The researcher followed the iterative coding process by O'Dwyer (2004) and Miles et al. (2014) where they suggested the qualitative data analysis embraces three linked subprocesses which is data reduction, data display, and conclusion drawing or verification, which O'Dwyer (2004) refers to as data interpretation. After all interviews, source documents (scanned) and field notes were transcribed, this was then uploaded into the Atlas.ti software to aid the coding process.

The palm oil industry and focal company for this study were identified via several pre-defined criteria based on the literature where contextual factors, nature of industry, status of the company, and previous sustainability issues in relation to the companies within that industry were taken into consideration. The selection criteria allowed a case to be chosen because it illustrates features and processes in which the study is interested in, as many qualitative researchers employ this as opposed to random sampling in quantitative research to seek out groups, settings, and individuals where processes being studied are most likely to occur (Silverman, 2014). Eleven listed companies in the palm oil industry in Malaysia were identified and letters were sent to the Chief Executive Officers or Managing Directors of the respective companies via all possible channels (emails, fax, and postage). After contacting all the companies, one company responded positively via the Chief Executive Officer's secretary, and it agreed to be the focal company for this case study.

The focal company for this study is IRIS Berhad (pseudo name of the company to protect their anonymity as promised in the early

stage of this study). IRIS is incorporated in Malaysia and listed on the Bursa Malaysia Securities Berhad's Main Market. Its core business activity is plantation (palm oil and rubber with 95:5 ratio of planted area respectively), having land bank spread across several countries. Being among the biggest palm oil companies in the world, IRIS is also certified with various sustainability certification for palm oil growers such as Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO), Indonesian Sustainable Palm Oil (ISPO) and International Sustainability & Carbon Certification (ISCC). However, IRIS also had several sustainability-related issues and violations in its operation in the past few years.

3.1 Validity and Reliability

The current study employed several strategies to ensure credibility, via triangulation, members check or respondent validation, adequate engagement in data collection, and peer examination. Firstly, the researcher used two types of triangulations; multiple methods (both qualitative such as interviews and focus group discussion and quantitative such as content analysis of annual reports) and multiple sources of data (data from interviews, internal documents, observation, external documents such as annual reports and press releases) in deriving the findings of this study. For example, when an interviewee expresses a certain process has taken place in the company, the researcher validates his or her statement with observations on site and documents pertaining to the matter.

Secondly, the researcher also used respondent validation during the interviews to solicit feedback on the emerging findings from some of the interviewees to ensure that the researcher did not misinterpret the meaning of what being said by previous interviewees. The researcher did this by highlighting the key findings from previous interviews and asked the opinion of the next interviewees whether the findings so far reflect the actual situation on the ground from their perspective. Thirdly, the respondent validation works in tandem with ensuring adequate engagement in data collection as it facilitated data saturation when the researcher found there is no longer new findings being articulated by the interviewees and the researcher is convinced that the research questions have been adequately addressed. Lastly, in terms of peer examination of the study, the research team discussed and reflected together in each data collection and analysis stage as well as in the stage of reporting the findings to ensure the conclusion made is plausible with the data gathered.

To ensure reliability of the findings, the researcher maintained an audit trail of the entire duration of the research. The researcher maintained records on all connections made with participants with complete date, time, place, and background of the participant, how the interviews were executed and recorded every conversation. Field notes were also made during each field visit.

To ensure transferability in the current study, the researcher used rich and thick descriptions in describing the settings, participants, and findings of the study with adequate evidence presented in the form of quotes from interviews, field notes and documents. The researcher also used maximum variation strategies in selecting study participants and the sites for field visit to ensure the possibility of greater range of application by readers of the research. Study participants consisted of both internal and external stakeholders of the case company with differing roles relating to sustainability reporting and practice of the case company that ranged from top management to the workers on the ground, from non-government organizations (NGOs) to the industry peers and buyers, each to ensure different perspectives could be obtain. Selection of sites visited also followed this strategy as the researcher chose estates and palm oil mills both close and further away from case company headquarters (HQ), to ensure whether the sustainability policy has been well cascaded throughout the entire operations on the ground, not only in those closer to the HQ.

4. Findings and Discussion

4.1 *Drivers of Change: External Pressures*

4.1.1 *Pressure from International Buyers and the Market Shift in Demand*

The palm oil market consists of buyers (especially multinational corporations) and consumers which are among the most prominent pressures that push the case company to change towards sustainability because the change involved business survival.

The pressure for sustainability practices being put on the case company by its international buyers is actually a chain reaction of pressure from palm oil competitors (the rapeseed producers) in the European Union (EU) and from NGOs on IRIS international buyers. Palm oil has garnered bad publicity over the years and is often associated with environmental destruction and human rights

violations in its production. The negative perception of palm oil has an adverse effect on its demand and price, which also directly affects the case company's bottom line, hence concerns regarding its production sustainability have to be rectified.

Generally, the negative perception by European consumers - that is a big factor. Because if they stop buying palm oil, of course, the demand goes down the price goes down [and] that is a very big effect. So, we have to rectify it.
[Chief Executive Officer, IRIS]

This is also the result of NGOs' attack on palm oil multinational buyers, making them warier of sourcing their supplies as they risk product boycott from end-consumers. With such a big risk to these multinationals' profits and reputations, pressuring the supply chain to change its practice and incorporate sustainability elements into its production is the only option.

Our big buyers - they are actually at the end pressured by the NGOs.
[Head of Internal Audit for Sustainability, IRIS]

On the grounds of rampant sustainability issues in the palm oil industry, the European Union (EU) is planning to ban the use of palm oil in the production of biodiesel from 2030 onwards, a move in which was described as protectionist and discriminatory against palm oil in favour of their locally produced vegetable oils that are having equally, or not worse, environmental impacts.

We have been singled out among other vegetable oils, and we are in competition with soybean oil. But soybean, in fact, has been destroying massive land in Brazil. But we are more efficient and sustainable as we get more oil per hectare compared to other oil.
[Group Plantation Director, IRIS]

This also concurs with IRIS International Buyers:

The issue with palm and other issues as well with other feedstocks is deforestation, social issues, feed management, conservation, all the other stuff keep picking up which is not unique to palm, which is also apparent for, say, soybean. But it's very funny in the way that this whole discussion is screwed into palm and not the other feedstock.
[International Buyer - Head of Sustainability]

From another perspective, however, the French Ambassador to Malaysia, Frederic Laplanche stressed that on behalf of France and the EU, palm oil is not an enemy to them - a statement issued to quash the protectionist allegations made against them. He mentioned that the EU directives on palm oil are not a ban on palm oil altogether, as it only affects palm oil used for biodiesel mix. What is happening is that France and the EU as a whole are gradually withdrawing the incentives for palm oil to be added into the biodiesel mix because the calculation shows that there is a problem of balance and carbon impact. Import policy of palm oil for use in food products and basic material for the oleochemicals industry at the French or the EU level will not be affected. It certainly is not a ban, and just withdrawing an incentive applicable only for palm oil biodiesel. Although there is no ban, by withdrawing the fiscal incentives, palm oil will be more expensive than traditional fossil fuel and hence, will result in a reduction of usage of palm oil as biodiesel, depending on the prices of fossil fuel (Bernama, 2019).

The anti-palm oil lobbyist and pressure from NGOs have created awareness in the society that sustainability issues in the palm oil industry can no longer be ignored. The market especially international buyers are influenced by this awareness and became a force of pressure on its own in making companies move towards sustainability in an effective manner and are threatening sanctions if producers fail to meet these expectations.

Therefore, to counter these allegations and secure their business interest, the international buyers pressured the company to comply with sustainability standards and being more accountable and transparent of their efforts towards sustainability. Our business is basically very market-driven, that means, it depends on what the market requirement is, so then we have to partner with the suppliers (such as the case company) as well to make sure that they understand and adapt to the kind of market requirements that we need.

[International Buyer - Head of Sustainability]

Because a lot of companies on the oleo side such as Unilever, they say that 'Oh, we want to buy your oil. It must be RSPO, it must be traceable, and you must have sustainable source. Without sustainability, we don't buy from you'.

[Chief Financial Officer, IRIS]

International buyers, especially household brands such as Nestlé and Ferrero, also require the case company to produce certified sustainable palm oil (CSPO) because these multi-nationals also made pledges that their products are indeed sustainably produced. Not conforming to these buyers' requirement would deny the company's market access and will hurt its bottom line.

The number one thing is it is actually market driven. . . and market driven by and led by market access. Without these (certifications), you just cannot get the market access. Your oil cannot go through. By those specifics, we are talking about like Ferrero and Nestle, those companies who needed this particular certified oil in order to promote their product.

[Head of Sustainability, IRIS]

Apparently, in responding towards this shift in market demand especially from its prominent buyers, the case company has subjected itself to an increasing number of certification schemes apart from the RSPO and MSPO. For example, one of its international buyers would need it to be certified under the International Sustainability and Carbon Certification (ISCC) as the buyer is using palm oil sourced from IRIS as a blend in producing biodiesel that was later marketed to countries with rigorous sustainability legal requirements for biofuels such as the EU and North America including Canada. In the early years of business and dealing with this international buyer, IRIS was not yet certified under this scheme, but when the buyer asked IRIS to be certified, IRIS was willing to commit itself to fulfil this buyer's demand and the requirement by getting the ISCC certification.

When we started working with IRIS, they were not certified, we ask them to be certified.

[International Buyer - Head of Sustainability]

4.1.2 Pressure from Civil Societies

The environmental and human rights NGOs have been pressuring palm oil producers via their consumer brand clients such as Nestle and P&G, making the pressure highly effective. In the case of the focal company specifically, NGOs have been putting tremendous pressure for IRIS to change its practice in becoming more sustainable in its operations. NGOs are doing this through investigative measures by going into the operating centres and capturing the real situation on the ground later publicised in the media and amplified through

calling the company's financiers and buyers into account as well. These attacks through buyers are effective because that is where the money is for the case company and hence, they have to respond.

So, they (the NGOs) come out to us, and they pressure us mainly through the customers.

[Chief Executive Officer, IRIS]

The company's client upon receiving the reports from NGOs will then start panicking and questioning the company on the incidents and the company's plan of action to rectify the matter. However, IRIS did not lose any clients when these issues cropped up in the 2010-2015 period, hinting that even though IRIS' customers and the buyers feel the pressure from NGOs and require the case company to rectify its action, they did not punish the company by backing out when there were violations brought up. Instead, they engaged with the company by clarifying the matter and continued doing business with the company when they were assured of the company's action plan on these issues. This shows that there is a strong relationship between the case company and its buyers.

You need to realize that if we get attacked, we get attacked on something that we buy from IRIS . . . IRIS does this . . . and then NGOs attacks and mention our name in the hope that at the end we will act because the NGOs attack the customers like us, which has a customer brand, right? So that is why it is more effective.

[International Buyer - Head of Sustainability]

The issue of sustainability in the production of palm oil has been there from the early 2000s, but for the case company, the pressure from NGOs on sustainability issues was the most intense in the 2013-2015 period, after the findings by these NGOs on the abuse of human rights at IRIS' overseas operations.

Together, regardless on the accuracy of the allegations, the move by anti-palm oil lobbyists and the NGOs attack on palm oil producers forced retaliation from the industry players generally, as well as the case company specifically, as it was also having sustainability issues at its own operation, and these issues bring real reputational damage and risk its business survival. In response to these two powerful pressures, the main industry players formulated a formation of multi-stakeholder's sustainability certification scheme (RSPO) in 2004

where it binds the members to follow the principles set in order to be certified as sustainable.

We must know why the concept of RSPO is coming in. In 2004, after the whole industry received tremendous pressure from the EU and the NGOs and everything, then we come out with RSPO and everything.

[Head of Sustainability, IRIS]

From another perspective, pressure from NGOs has been linked to the anti-palm oil campaign with the argument that these NGOs were being paid to provide an unfavourable picture of palm oil in favour of its competitors that were also their donors such as soybean oil and rapeseed oil producers in order to derail the palm oil industry and halt its development. The specific NGOs interviewed for this study have been involved in publicising human rights and environmental violations in the case company's overseas operations has refuted the argument that they were doing it in favour of other vegetable oils. In contrast, they were actually looking at it from the perspective of impacts. Hence, they did not only scrutinise palm oil but also other vegetable oils such as soybean oil that has been recognised as a major contributor to deforestation in the Amazon, and its activities have also garnered huge attention from the international campaign of these NGOs. Hence, the argument that the competitors paid these NGOs to make a baseless accusation against palm oil companies were a weak argument because palm oil does have apparent human rights and environmental issues in its production and therefore, the attention and pressure given by the NGOs.

I would say that it's inaccurate from a civil society perspective because none of our information is coming from the soybean oil industry. In terms of ourselves and other civil society actors, we are looking at impacts on human rights and forests, so that's where our primary source of information is coming from, looking at from an impact perspective. So, we and other NGOs who are in this space like Greenpeace and others are also looking at the impacts of soybean oil. Soy, for example, has been a huge contributor to deforestation in the Amazon and that has been a very big focus of international campaigns in the past and also currently as well. So, with regard to civil society, it doesn't have any bearing on us.

[International NGO - Agribusiness Campaign Director]

It is in response to these pressures, the palm oil industry and the case company are focusing on changing their internal practices, culture,

and structures in order to be certified as sustainable. Indeed, these pressures have successfully put sustainability issues in palm oil production at the centre stage and changed the company's way of doing things.

4.1.3. *Regulatory Pressure from Laws and Security Commission's Listings Requirements*

The Malaysian palm oil industry is one of the most highly regulated industry, with up to 60 laws that must be followed by the industry players, and IRIS is not exempted. Regulatory pressure in the industry has also been increasing in intensity over time which is sometimes seen as burdensome for the company, as expressed by the Group Plantation Director:

They impose very stringent laws that make it inconvenient for us to do business.

[Group Plantation Director, IRIS]

Moreover, it is the response to abide by the regulatory pressures that the company now takes care of its employees better. This is because the tight laws and requirements, especially in terms of employees' safety and health at the workplace, make it troublesome for the company to not take appropriate action in ensuring the worker's safety and health. If an accident occurs, and investigators found out that it is the company's fault that caused the incident, the company has to go through the painful process of handling extra audit visits and extra paperwork with government agencies such as the Department of Safety and Health (DOSH), the Ministry of Human Resource (MOHR) and the Social Security Organisation (SOCSO), making compensation arrangements to the affected employees as well as going through the litigation process in the courts. All the hassle and risk of litigation forces the company to change its operating procedures, organisational structure, and culture to incorporate sustainability elements, which in this case, ensures lower accident rates through a safer working environment.

(Accidents) if permanent damaged is one thing. But you got all the other extra works involve. You got DOSH visit, you got to make presentations to DOSH, a lot of things. And then not only that with JTK with SOCSO, compensation, a lot of things. If DOSH comes and investigate even though it's not a fatality but because of the accidents was caused because the employer did not provide a safe working environment, that's it, you go to

court, then you got court hearings you got all that. So, it's a hassle. I don't want that. . . definitely, I don't want. Better do it right. . . even like I said the tractor, 'you got no brakes you park, I'll do it.' Because if something were to happen, then I will have the whole long story to follow, I don't want.

[Head of Occupational Safety and Health, IRIS]

4.3.4. *The Pressure to Conform to the Industry or Business Norms*

Sustainability endeavours by the case company was also caused by the awareness that in this era, sustainability is the new norm (Malaysian Palm Oil Council, 2018), and already became a way of doing business, especially for the palm oil sector or agriculture industry in general, so IRIS was compelled to follow these industry norms.

Sustainability is like necessary. So, everybody is going through the sustainability program. . . so, whether you like it or not you have to do it.

[Head of Marketing, IRIS]

For example, regarding the issue of traceability and the sustainability of the entire supply chain, IRIS has responded by starting to engage more with their suppliers even though it was very challenging as these suppliers were not willing to share information requested by the company because they were afraid of being exposed. IRIS moved to engage with their supply chain in an effort to ensure its sustainability policy was being implemented in the entire supply chain was partly because most of its industry peers and the big players both local and overseas have also engaged with their suppliers to rectify this issue, leaving IRIS with no choice but to follow the norm.

A lot of people have been doing it, Wilmar is doing it, Golden Agri, I think even Sime Darby is also slowly coming in already. A lot. IOI, all the big ones have been coming in already. You don't have a choice.

[Head of Marketing, IRIS]

Furthermore, apart from the pressure of responding to the demand for sustainability or risk being left behind by other industry players, IRIS is also joining the sustainability bandwagon as a team effort with other players in the industry with the awareness that no one company could change the entire industry, and transformation towards sustainability needs everybody on board to work together for a common good and making it a cohesive and coordinated effort.

For instance, IRIS joined with other main palm oil producers to commit itself to a sustainability manifesto as part of this concerted effort towards a more sustainable production of palm oil.

We have to response to what is the demand otherwise, for example, you be left behind, or you will lose some market, or you may be even condemned. Not only that, we do not only work within ourselves, but we also go with other big corporates so that we also hope that our industry gives the same message. For example, our manifesto, we have done it together with some of the bigger companies like Sime Darby, Wilmar, and so on. So, we work together for a common good. Because you see, if this person acts this way, this person acts that way, then there is no cohesion and no coordinated effort.

[Chief Accountant, IRIS]

Hence, the trend of sustainability practice in the sector and among its industry peers have also created pressure for IRIS to respond in becoming aligned with this industry norm for change towards sustainability.

4.2 Drivers of Change: Internal Pressures or Motivation

4.2.1 Battling the Labour Shortages

The case company has strived to improve its sustainability performance especially socially in terms of workers' welfare is attributed to the fact that both case company and the overall Malaysian palm oil sector are experiencing labour shortages. Hence, the case company is putting more effort in taking care of their workers better than before. In a labour-intensive sector such as palm oil, labour is a huge concern for the case company, so IRIS believes that in this period where there are shortages of labour, they do need to take care of their workers. This is not only a short-term concern. Most workers, especially the migrants, will only work in their plantation for a short period. For Indonesians, they are only allowed to stay here for two years, then they have to go back, and will be replaced by a new batch of workers. Workers from other countries could stay a little longer, but they will also return to their home countries after a few years. Changes undertaken to take care of the workers better in term of working and living conditions were seen as essential to not only make the current ones stay with the company but to build a good reputation for future recruitments.

Labour is a very big issue for us. It is very difficult to get labour, I think it is important to take care of them. We don't want them to go back and at the end of the day, 10 years later down the road, 'it's because I did spray in this estate now I'm having some problem'. We do not want that also.

[Head of Occupational Safety and Health, IRIS]

If we don't treat them well, they've plenty of choices. Malaysia has gotten three million foreign workers right so if we don't treat them well, you think they will work with us? They might as well go and work in some other plantation, right? That's why there is a competition also among the plantations to keep the workers.

[Chief Executive Officer, IRIS]

This is evidenced based on a statement made by a harvester that described the process of them coming into the country to work for plantation companies. They actually made choices on which companies to work for based on how much they have to pay the agent in their hometowns (where the agent charges different amount for different companies), and the amount of rules they have to follow when they are working and whether it is worth the salary they were going to be paid. They did not mind paying more to the agent to work at IRIS because they know IRIS pays higher salary and demand the workers to follow fewer rules as compared to other companies such as *Sime Darby*. This shows the competitive situation for recruiting foreign labour (as the prospects could make decisions based on word of mouth of previous employees) that are faced by the case company and its industry peers, which compels the company to take care of their workers but also avoid giving them too many rules to follow.

IRIS even goes as far as to avoid putting too much burden on their workers because they really need them. In fact, even when the workers are not giving 100 per cent productivity in their jobs or making mistakes, IRIS does not take actions on the workers.

The current trend workers have not many problems because they don't want to give them problems. That is the reason why they need them. I'm a trade unionist I'm telling you this, at least the worker gives the productivity to the company even 50%, they just close one eye. That is because of the shortage of labour... now the workers even if they make a mistake also the employers are not in the position to act because they need workers.

[Trade Union - State Secretary 1]

4.2.2 *Internal Culture of Philanthropy*

Sustainability endeavour at IRIS was not only responding to external pressures alone, but it has also had a lot to do with the internal culture, awareness, existing practices, and the corporate DNA itself that pushed the company towards sustainability practices. IRIS has been described as a caring organisation and welfare-oriented from the beginning. Family values have been passed down from the earlier generation of IRIS' top management to help the community. Increasing and more formalised community initiatives was directed by the CEO himself. Therefore, it begins internally just as much as it being a response to external pressures.

We are doing a lot more than what they are asking for. But we are not here to go and tell the whole world, it is our inside value, it's our culture. Like our company give to a charitable organisation supporting education, supporting that philanthropy our top there telling us don't go and tell the whole world that we do this, they don't want to be known. So, we have not.

[Head of Sustainability, IRIS]

Being a multibillion-dollar company, IRIS has been doing philanthropic activities since the early days from the first and second generation of the controlling family and this has been passed down to the current third generation of the top management. It has become routinised for many years and the continuation and intensification of the company's corporate social responsibility activities in the era of sustainability were a rather natural endeavour.

The awareness of helping the community has influenced their sourcing decisions regarding smallholders supplying to their mills that are not yet certified as sustainable. Rather than cutting ties with these smallholders, the company argued that they have a social responsibility in helping these smallholders to be certified so that the smallholders could also prosper together with the company, as shared by the Head of Sustainability. However, this is counterproductive in making sure their supply chain is indeed sustainable because the smallholders then would not be compelled to follow sustainability policy and commit to certification because they can still do business as usual with IRIS.

We can just with one stroke of the pen we just say that we exclude the smallholders. But that is very wrong socially. That is not the way that we

do. Wherever we operate we want to actually prosper together with the community there.

[Head of Sustainability, IRIS]

This was stated in its 2014 annual report:

We had signed a Memorandum of Understanding with Wild Asia on 11 July 2014 to collaborate on an independent smallholders' project. This project aims to support traceable and sustainable, deforestation-free production of palm oil by smallholders. The first Smallholders' Project kicked-off in October 2014 at our Bornean Palm Oil Mill.

[Annual Report 2014, IRIS]

Overall, there is an internal culture and awareness on the role of the company in terms of protecting the environment for the future generation as well as contributing towards societal development from the top management's point of view.

4.3 *Impediments of Change*

4.3.1 *Cost Concerns*

The largest impediment of change towards sustainability in the company and its supply chain is cost concerns. Cost concern is the reason why further improvements toward sustainability are not pursued if it does not have an economic justification. In the case company operations itself, the cost for each change towards better sustainability performance still determines the company's decision on the matter. Workers' housing that was built in the 1980s that are not conforming to the labour law stated in the Workers Minimum Standards of Housing and Amenities Act 1990 were not demolished because it would incur a huge cost for the company. Same goes with the maintenance of these old houses as IRIS opted for tube well water supply system in its estates that are not as clean as the water supplied by JBA (the Water Supply Department) because to upgrade the whole estate's piping system and to build a reservoir for JBA water costs more than the installation of tube well. Allocations requested prior to the audit to upgrade the line site or workers' housing were also quashed to cut costs and were given if auditors find the condition to be intolerable and gave non-conformance to the estate. This has been stated by one of the interviewees:

Saidatul Nurul Hidayah Jannatun Naim Nor-Ahmad, Azlan Amran,
A.K. Siti-Nabiha and Rusniza Abdul Rahman

Sometimes we look at the house, it is old houses you know, sometimes these managers approach GM and say, "Tuan, we have to do something. This is substandard. We have to renovate or build new for them." Sometimes it doesn't work. Like last year, we got noncompliance for drainage. So, this year we got an estimate to repair drainage. It's like that. By right, why don't you do it before it happens? Why when we approach, HQ is so stingy? Its company policy. They're not willing to spend. Sometimes HQ people is willing to spend, but the GMs want to control the cost.

[Estate Assistant Manager - Estate Far from HQ 1]

In mills, especially the old ones, there is a lack of safety measures, making it a dangerous working condition because IRIS does not want to spend too much money upgrading these old mills. The visit to one of these old mills confirms the unsafe conditions as even with safety boots on, the floors were too slippery and poses a significant risk for people working there. The smallholders supplying bunches to the mill are also mostly concerned with costs if they were to implement IRIS' sustainability policy or undergo a sustainability certification process. It is admitted that changing these smallholder's mindsets in altering their practices and be certified is not an easy task as they always ask what is in it for them if they proceed.

There is also a technical barrier towards reducing the environmental impact of the case company's activities. It is admitted that trying to reduce GHG value at this point is not easy, as changes would have to made from the most basic level of operation i.e., how palm trees are planted and treated over the years. The company's research and development (R&D) is currently focusing more on generating better palm trees that would produce higher oil yield per hectare. This warrants more R&D to be done on how to reduce the environmental impact of the company throughout its production and supply chain.

4.3.2. Difficulty in Changing Workers Mindset Due to Educational Level, Turnover, and Language Barrier

The mindset or mentality of people in the organisation is not an easy element to be changed to incorporate sustainability. There are managers (old ones) and workers that were saying everything was fine 20 years ago without all these sustainability requirements. The mentality of workers in more rural areas is also hard to change because it is part of their norms and lifestyle. For example, there are always cases of workers keeping birds in their estate houses and open

burning of waste by the workers. It is hard for them to fulfil the RSPO requirement because that is how they lived for so many years. IRIS' management team admits that workers are the hardest aspect that they have to control. This has been illustrated by an interviewee on how constant monitoring is needed to ensure workers abide by the personal protective equipment (PPE) policy and normally fails to comply if they were left on their own:

The hardest one is the PPE. Basically, now all obey our instructions, but sometimes when we go out, as I said, they will do the same thing. If you monitor for 8 hours straight in the field, then they can wear 100%. This really gives me headache. Without monitoring, without supervision, out.

[Estate Assistant Manager - Estate Far from HQ 1]

Furthermore, the education level of the workers also hampers the mindset change that the company strives to do. Most workers in the estate are less educated and hence, they could not fathom the reason behind why these requirements were put in place. The language barrier is also hindering changes towards sustainability. In the Borneo parts of the company's operation, safety, and health culture has been easier to be instilled and has better conformance by workers to RSPO requirement as compared to operating centres in the Peninsular. This is because in Borneo, they hired a lot of Indonesians and the management team does not have a language barrier in communicating with the workers as they understand the Malay language and hence, the better performance and conformance. In contrast, operating centres in Peninsular often hire workers from India and Bangladesh who may not be so fluent in the Malay language as well as in English, so it is harder for them to understand the dos' and don't as required by the RSPO.

4.3.3. *Unsupportive Business Ecosystem*

The case company does not operate in a vacuum and changes towards sustainability will also be hindered without the support of other players in the palm oil industry and beyond. Among the impediments of change towards sustainability for IRIS are the financiers, the market, government agencies and laws imposed, stakeholders, and the supply chain, especially the smallholders.

Financiers are important players supporting the palm oil companies. However, they often do not integrate sustainability concerns in their policies and financing decisions. For IRIS, there

are instances that their financier does not allow the company to assist smallholders financially. Banks, especially the local ones, are not changing their investment and lending policy because they are afraid of losing customers. But this proves to be a demotivation for companies such as IRIS who strive to be certified as sustainable as they do not get any incentive from their financiers in doing so. This is also congruent with the view by international NGOs that Malaysian banks are the farthest behind in having policies or requirements around sustainability. An interview with one of the banks financing the Malaysian palm oil industry also confirms that sustainability was not considered in their lending decision.

Laws imposed by the government could also deter the companies towards sustainability transformation when it was not formulated with the industry and companies' best interests in mind, making it largely irrelevant and impractical and hence, a waste of resources to fulfil these laws that have nothing to do with improving sustainability performance. For example, in regard to safety and health, the Department of Safety and Health coverage is too wide and may result in less effective enforcement. Moreover, Malaysia's Occupational Safety and Health Department may have been seen to be tightening the law and enforcement over the years. However, the Head of Occupational Safety and Health of IRIS has expressed that some laws imposed on them (that were not there initially) are not really relevant to the palm oil industry and were not seen as related to improving sustainability performance. He argues against the broad-brush approach that policymakers are using in formulating laws and regulation that do not undertake each industry's specificity. A regulation highly relevant in the oil and gas sector for example on confined space might not be relevant in the palm oil sector because they do not have much confined space to begin with.

When they did the guidelines of confined space, it was more to the oil and gas industry. They left out other industries. So actually, what we are following now in the confined space is actually for oil and gas industry, so it is rather stringent. Because it is not for us... I don't agree, it is overdoing it and they tend to overdo.

[Head of Occupational Safety and Health, IRIS]

He also stated that another irrelevant law under the Department of Environment (DOE) is the handling of scheduled waste that to him was not made based on the reality on the ground in the

palm oil sector. Under the requirement of DOE, there must be a competent person to handle scheduled waste on-site and it has to be cleared in 6 months or 20 metric tonnes. However, the company only generates around 10kg per month which equals to 60kg for 6 months, which is much less scheduled waste as compared to other sectors. This is the reason why most estates would receive a rating of non-compliance when audited on clearing of scheduled because contractors are reluctant to take too small amount of waste, so they are always overdue. This also concurs with the regulation imposed by MPOB on harvesting black bunches. Even though it is to help increase the oil extraction rate, the Head of Sustainability shared that the punishment is illogical as these laws are made irrespective of the true condition on the ground:

They say they want to help us to produce more oil extraction, but you talk logic. In this case here, I'm a manager, somebody harvest and sent black bunches to me and if caught, I can go to jail. I will openly say that actually whoever is the officer or those top guns who formulated these rules they are just literally stupid because they don't go to the ground or work if they are working on the ground, they wouldn't be thinking of such a stupid law or illogical rule to regulate people.

[Head of Sustainability, IRIS]

In contrast, there is a lack of law and enforcement in host countries that IRIS have operations in. One of the Asian countries, for example, does not yet have labour law specifically for palm oil workers, which is an irony, as palm oil is one of the primary industries in the country. There is also a risk of corruption in the host countries where IRIS operates as NGOs were baffled that the cases they brought to the countries' judicial system resulted in no action taken on the company for violations found in their operations. There are also possibilities of close ties between the company and local authorities in the host country because the company can hire a 16-year-old who faked his or her age as a 20 years old to work in their plantation.

Smallholders' lack of cooperation also hinders sustainability transformation along the supply chain by the company. From their unwillingness to follow the sustainability policy of the case company because of costs concern to their reluctance in providing information as requested by the case company for fear of being exposed of violations in their current practice, this lack of cooperation does make it difficult for IRIS to move forward in terms of ensuring its entire supply chain is indeed sustainable.

4.3.4. *Impracticalities of PPE Design for Field Workers*

It is apparent that there is a policy implementation gap in the case company involving the usage of PPE among its field workers. From interviews and field visits conducted, the reason given behind why workers do not wear their PPE is because the design of the PPE itself is very problematic and the workers simply cannot work comfortably while wearing it. The RSPO determined the specification for PPE to be used by the company's workers. However, it is clear that these specifications were made without considering the practicalities of the PPE from the perspective of those who are wearing it and work in scorching hot weather in palm oil estates day in day out. For sprayers, for example, they have to wear a mask during spraying, but the mask specs given which is 3M-N95 were making it hard to breathe. For harvesters, they have to wear special glasses and hats during harvesting, but unfortunately, the hat is actually blocking their vision during harvesting, and the glasses when worn, will be filled with sweat after a few moments, and further affect their visibility. The PPE was supposedly required to be worn to ensure workers' safety and avoid accidents, but apparently, with the current design and specifications, wearing it is actually posing accident risks instead of avoiding them.

The PPE is not comfortable, hot, and it's heavy. It's very uncomfortable for harvesters like us because when we look up, the hat is blocking our view, and the glasses, when worn, will steam up and filled with sweat, so we cannot see clearly.

[Harvester Foreign Worker - Estate Far from HQ 2]

5. Discussion and Conclusion

The current study is consistent with previous literature on sustainability reporting (Deegan, 2007; Kolk, 2010; Larrinaga-Gonzalez, 2007; O'Dwyer, 2002) that show external factors such as institutional and stakeholder pressure as well as maintaining and repairing legitimacy underpins the corporate motivation for SBPR adoption as explained in the preceding sections. From the findings on the pressures as discussed above, it is apparent that all three institutional isomorphic pressure (coercive, normative, mimetic) are present in shaping the company's response to change towards sustainability and each relates to legitimacy. Firstly, the regulatory pillar is distinguished by the prominence of explicit regulatory processes which takes the form of rule-setting, monitoring, and

sanctioning activities where the primary control mechanism is coercion and legitimise organisation who are operating in accordance with the relevant legal or quasi-legal requirements (DiMaggio & Powell, 1983; Scott, 2014). Coercive isomorphism occurs because organisations are motivated to avoid sanctions available to organisations on which they are dependent (Greenwood et al., 2008). In the case company, the international buyers, NGOs, local and foreign government, securities commission, and certification bodies are putting coercive pressure on IRIS to embark on sustainability practices in order to repair and maintain its legitimacy.

Secondly, normative pressures pertain to what is widely considered a proper course of action, or even a moral duty (Suchman, 1995), such as when there are signals from the organisational environment that the adoption of a particular practice or structure is a correct moral choice. Normative isomorphism occurs because organisations are motivated to respect social obligations (Greenwood et al., 2008). Empirical indicators of the existence and pervasiveness of normative institutions include accreditations and certifications by standard-setting bodies such as professional associations (Casile & Davis-Blake, 2002; Ruef & Scott, 1998). In this regard, the widespread subscription of sustainability certification in the palm oil industry where a multi-stakeholder certification body such as the RSPO sets the industry standards through its principles and criteria is the evidence of normative institutionalization taking place.

Thirdly, mimetic isomorphism occurs because organisations are motivated by their interpretation of others' successful behaviours (Greenwood et al., 2008). Compliance occurs in many situations, mainly because other types of behaviour are inconceivable. Routines are followed because they are taken for granted as "the way we do these things" (Scott, 2014). The prevailing logic employed to justify conformity is that of orthodoxy, which is the perceived correctness and soundness of the ideas underlying action. The affective dimension of this pillar is expressed in feelings from the positive effect of conviction and confidence versus the negative feelings of confusion or disorientation. Actors who align themselves with prevailing cultural beliefs are likely to feel competent and connected; those who are at odds are regarded as, at best, "clueless" or, at worst, "crazy" (Scott, 2014). The reasons behind IRIS embarking on sustainability reporting and practice is also to conform to the industry and business norms as it is established that sustainability endeavour is something the companies have to do especially in the palm oil

industry where sustainability issues are a major concern. This mimetic pressure to follow the industry peers contributes to IRIS' undertaking the sustainability initiatives. Moreover, organisations also tend to model themselves after similar organisations in their field that they perceive to be more legitimate and successful (DiMaggio & Powell, 1983). For example, IRIS has been imitating its peers to engage with the supply chain and smallholders in a move to ensure their sustainability policies are being followed throughout their supply chain as its peers in Malaysia (*Sime Darby*) and overseas (*Wilmar* and *Golden Agri*) are among the largest palm oil companies with superior sustainability initiatives' profiles. Therefore, IRIS is also compelled to do the same. In summary, the changes towards sustainability for IRIS are mainly resulting from regulatory enforcement by powerful stakeholders that hold important resources for the company, putting the company under mostly coercive isomorphism, conforming to the regulations as deemed by their peers.

However, the study also found that internally, technical or cost-efficient dimension, where the decision to adopt a new practice will be taken based on an independent examination of its technical efficiency and contribution to company goals, as well as existing or institutionalised philanthropic culture in the case company also explains the reason behind their sustainability endeavour. Both institutional and efficiency-based explanations provided the explanation of motives behind the adoption of sustainability reporting and practice in the case company. This section, therefore, will detail out the internal drivers in the following paragraphs.

Firstly, IRIS believes that committing to sustainability initiatives could be a competitive advantage when done properly as it could reduce costs, increase control, and increase profit via the selling of certified sustainable palm oil at a premium price. Even though IRIS, on one hand, acknowledges the responsibility for being a good corporate citizen through sustainability practices and reporting, the cost-benefit elements of this endeavour still take prominence in the company. Sustainability initiatives are a by-product of IRIS' economic rationality (Schaltegger et al., 2012), and its concept was adopted from the perspective of IRISs' own business interest. Sustainability initiatives may have been portrayed by the case company as a way they fulfil their corporate responsibility, but, in reality, they are actually referring to 'business case for sustainability' concept, where economic success of an organisation increases while working on social and environmental cause (Schaltegger et al., 2012). This created a 'glass

ceiling effect,' where sustainability initiatives are pursued as long as it brings economic benefit to the company, which hinders substantive change towards sustainability which is similar to the concept of second order or morphogenetic change proposed by Laughlin (1991).

The findings in IRIS are similar to that of Narayanan and Adams (2016) in a case study on a financial institution integration of sustainability considerations into organisational practice using Laughlin's (1991) framework of change and institutional logic. They found that sustainability considerations cannot be fully integrated into organisational practices without changes in the ideological core of the organisation for a transformational change because of the centrality of profit-seeking logic apparent in their case study, as the extent of change is limited to sustainability engagement that meets the business case for sustainability, which is also evident in the case of IRIS. These findings are also reported by Mezias (1990) on the adoption of the flow-through method being affected both by the potential economic gain from adopting it and by a firm's regulatory environment.

Secondly, IRIS has been battling with shortages of labour at its plantation. Strategically, IRIS has seen sustainability reporting and practices as important in attracting new employees and retaining the existing ones. This is in concert with the study by Turban and Greening (1997) on the relationship between corporate social performance based on ratings on the KLD database with the attractiveness of the firm to prospective employees which finds that firms with higher CSP are more attractive to employees than their lower CSP counterparts.

A majority of the case company's operating workforce consists of foreign workers that are under restriction in numbers that can be brought in and how long they can stay in the country, according to the quota given by the government. Other competing industry peers, as well as other employers, are eyeing the same limited resources - the foreign labour. Therefore, the competition is high among these employers as prospective workers have knowledge on the situation in each company especially the salary that they are offering and the rules that they put on workers through word-of-mouth from other workers coming in and out of the country. IRIS have to project an image of a good employer partly through sustainability endeavours so that they could attract these pools of workers, as firm adopting sustainability practices develop a more positive image that yields competitive advantage by attracting higher

quantity and quality of human resources (Davis, 1973; Fombrun & Shanley, 1990). This is particularly important for the case company as jobs such as harvesting would require highly skilled harvesters to ensure productivity and efficiency which would directly affect the company's financial returns, and workers from certain countries have been identified to possess the skills needed and work better than the foreign workers from other countries. Therefore, there is a need to secure these pools of workers to work with the company. The sustainability reporting and practice provides the means to boost their image as employers, which then help in human resource management, as company's reputation for sustainability or corporate social responsibility helps to recruit better employees and to motivate them (Brekke & Nyborg, 2008).

Thirdly, IRIS also believes that sustainability endeavours could build a strong brand and reputation. This is congruent with conclusions made in prior studies adopting legitimacy perspective where corporations have used sustainability reporting and practice to influence or manipulate stakeholders' perception - making it a strategic tool rather than an action made based on any perceived responsibilities (Brown & Deegan, 1998; Deegan, 2002; Deegan & Rankin, 1996; Patten, 1992). As the case company had experienced a legitimacy crisis when the mistreatment of its workers was publicised, it increased the motivation for the company to repair its image and reputation through sustainability reporting and practice.

The current study also finds contradictory evidence compared to findings by Othman et al. (2011) on three sensitive Malaysian industries (industrial product, property, and plantation). They conclude that family-owned companies are neither influenced by the new regulation of corporate social responsibility disclosure nor appear to regard corporate social responsibility disclosure reporting in the annual report as an important channel to boost their corporate reputation, thus implying that family-owned companies continue to be secretive about their activities. The case company, however, because of the previous exposure of their misbehaviour by NGOs and news media, acknowledges that sustainability reporting and practice have an impact on their brand and reputation, so they are no longer secretive about their activities. As a result, there is an apparent increase in the company's sustainability disclosure in recent years. This internal motivation for branding and reputation also corroborates with the coercive pressure for changes towards sustainability from international buyers as their multinational customers were also held

responsible for their social and environmental violation in the past. This is parallel to the findings of Abdalla & Siti-Nabiha (2015) who found that foreign partners' audit pressure (which also act as coercive pressure) and the need to protect its reputation were the internal pressures that push the exploration and oil-producing company in their study for sustainability practices.

Finally, being a family-based corporation, corporate social responsibility disclosure in IRIS is an institutionalised practice since the early days and a tradition passed down from one generation of top management to the next. Internally, IRIS' top management believes that they are responsible for giving back to the society for the benefit of future generations and a part of civil rules, hence the adoption of the initiatives. Similar to the Lebanese and Indian context, strong philanthropic traditions of family-based companies also appear to have shaped implicit versions of corporate social responsibility disclosure (Jamali et al., 2017).

However, in real practice, corporate social responsibility disclosure activities were under the Corporate Communication Department, hinting its legitimacy motive behind the practice similar to Windolph et al.'s (2014) study that concluded the strong integration of the public relations or communication functional area with motivation for sustainability management reveals legitimacy as highly relevant in large German companies. Furthermore, as most corporate social responsibility disclosure activities are of philanthropic in nature, with little attention given to the local communities directly impacted by the firm's activities, the company's corporate social responsibility disclosure activities do not represent actual corporate responsibility but something that has been done routinely and could be publicized to boost its image without much thinking and planning on how they could better serve the community.

In this study, an attempt has been made to explore the barriers to organisational change for sustainability and drivers which support sustainable performance in the palm oil industry in Malaysia through the lens of the institutional theory and legitimacy theory. In contrast to the theoretical explanation of sustainability reporting and practices from the legitimacy theory that suggests sustainability reporting is deliberately and carefully planned by managers to meet (or shape) the expectation of powerful stakeholders, the institutional theory downplays this rational and calculative managerial behaviour and suggest that firms undertake this activity because their peers do so, and it has become a norm in the context of the operation. In the

current study, however, rather than being on the opposite side, both legitimacy and institutional theory complement each other in explaining why the case company commenced sustainability reporting and practices.

The study, however, has several limitations. It was restricted to a single case company. Therefore, generalisation of the study findings onto another context should be done in a cautious manner. Future research may explore multiple cases in a comparative study, for example between certified and non-certified sustainable companies or government linked companies with family-based firms to further examine the applicability of these empirical findings and theoretical explanation in different conditions and context. The current study also focuses on a listed company in palm oil industry. Future studies could explore companies in other sensitive industries to unearth the injustice, inequalities, and impediments of change towards sustainability and in order to devise ways to counter them effectively.

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