

Do Institutional Isomorphisms Facilitate Corporate Strategy on Biodiversity Reporting? An Exploratory Study of Malaysian Plantation Industry

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Abstract

Purpose: The aim of this paper is to explore the existence of institutional isomorphic forces in facilitating the change in legitimacy strategies used and volume of biodiversity-based information reported by Malaysian plantation companies.

Design/methodology/approach: Through the use of interpretative textual analysis, 40 Malaysian plantation companies' corporate reports were analysed from year 2016 to 2020. The longitudinal study facilitated a comparison of not only the change in volume of biodiversity information reported but also the legitimacy strategy used in response to different types of institutional isomorphic forces.

Findings: The study provides strong evidence on the growing existence of coercive forces for the 5 years study period consistent with the growing volume of biodiversity information reported and the growing popularity of companies strategising their legitimacy through adhering to society's value by acknowledging biodiversity risk associated with companies' operation.

Research limitations/ implications: This study utilised interpretative textual analysis technique that is largely based on researchers' professional judgement. The use of primary data such as interview and survey could provide better understanding on companies' motivation to report specific information on biodiversity.

Practical implications: The findings provide opportunity for policy makers to understand strategies used by Malaysian plantation companies in response to various institutional isomorphic forces that could be beneficial in formulating a more effective biodiversity-based related policies.

Originality/value: This present study seeks to get behind the sheer volume of how much information being reported by focusing more on analysing the existence of various institutional isomorphic forces in facilitating companies' strategy to report biodiversity-based information.

Paper type: Research paper

Keywords: Biodiversity reporting, Institutional isomorphism, Legitimacy strategy

Introduction

Concern on biodiversity loss has been growing since decades ago due to the overutilisation of natural resources deemed to be necessary for human consumption (FAO, 2010). While it is impossible to stop the use of natural resources as it contributes to socio-economic development of a nation, the ongoing biodiversity decline may have breached planetary boundary and threaten the stability of an ecosystem (Wijkman & Rockstrom, 2013). Ceballos et al. (2015) highlighted the undeniable evidence of biodiversity loss that has now entered a new critical stage in human history with current trend suggesting the planet is entering a sixth phase of mass extinction driven by human activities. In a recent report produced by World Wildlife Fund (WWF) International, the global Living Planet Index shows an average 68 percent decrease in population sizes of mammals, birds, amphibians, reptiles and fish between year 1970 and 2016 (WWF, 2020). This broken relationship between human population and nature is now not only showing a catastrophic impact on wildlife population but also on human health as manifested by the Covid-19 pandemic (WWF, 2020).

As biodiversity loss is not just an ecological issue but a fundamental issue that can jeopardise the prosperity of a socioeconomic system, there lies a need for the world to maintain as much biodiversity buffer as possible (Skouloudisa et al., 2019). This issue is particularly critical for countries that have been declared as biodiversity hotspots such as the megadiverse countries. Megadiverse countries are countries considered as extremely rich in biological diversity safeguarding between 60 to 70 percent of the world's biodiversity (Skouloudisa et al., 2019). To date, there are 17 countries identified as the most biodiversity-rich countries of the world namely United States of America, Mexico, Colombia, Ecuador, Peru, Venezuela, Brazil, Democratic Republic of Congo, South Africa, Madagascar, India, Malaysia, Indonesia, Philippines, Papua New Guinea, China, and Australia (UNEP WCMC, 2014). While there is no legal binding, these are the countries expected to spearhead awareness on biodiversity conservation and carrying a bigger responsibility to design an effective strategy for biodiversity management (UNEP WCMC, 2014).

Malaysia, as one of the 17 megadiverse countries, has been ranked 12th by the National Biodiversity Index, calculated based on estimation of country richness and endemism in four terrestrial vertebrate classes and vascular plants (CBD, 2022). As a country that has been recognised as extremely rich in biological diversity, the issue of biodiversity loss is affecting Malaysia more as compared to other non-megadiverse countries. The fact is Malaysia is a country that is still growing economically. Therefore, finding a balance between curbing biodiversity loss and the need to continue growing economically poses a critical challenge to this country. Nonetheless, responding to the call for megadiverse countries to have an effective biodiversity management, Malaysia has signed approximately 17 biodiversity-related multilateral environmental agreements covering various mechanisms to protect the biodiversity (Tong, 2020). Most notably is the signing of the Convention on Biological Diversity (CBD) in 1994 that officially bound Malaysia to the needs to initiate domestic strategies and procedures towards biodiversity conservation (Tong, 2020). Since then, Malaysia has been consistent in fulfilling its responsibility to formulate strategies and actions related to biodiversity conservation with the latest one is the revised National Policy on Biological Conservation 2016-2025 (NPBD 2016-2025) that provides latest direction and framework on biodiversity management for Malaysia (KATS, 2019).

A formulation of a country's biodiversity strategies or policies such as NPBD 2016-2025 will create more pressures for companies to demonstrate their accountability towards biodiversity conservation. As one of the biggest users of natural resources, a continuous environmental breakdown can cause companies to face economic loss due to insufficient resources as a destruction of nature can create a cycle of environmental impair, which will then impair the supply of natural resources used by companies to operate their business. Therefore, the issue is not only about companies jeopardising biodiversity but also on sustainability of companies if resources that they depended on is declining in volume due to biodiversity loss. From this perspective, biodiversity sensitive companies or as claimed by F&C Asset Management (2004), red zone industries, will receive greater pressures from the public and policy makers and that greater accountability will be sought.

In the case of Malaysia, since 1970 the decrease in Malaysian forest reserves has been explicitly associated with agriculture and industrial activities as well as urban and aquaculture development. Plantation industry, in specific, has caused oil palm to occupy large surface of cultivated land and its plantation has witnessed a steady increase since 1975 due to increasing demand for sustainable energy. Oil palm plantation, on the other hand, has a negative side of it. Among the negative impacts that can be caused by oil palm plantation are habitat fragmentation, pollution and greenhouse gas emissions, which can cause substantial biodiversity loss. Therefore, taking into consideration potential institutional forces that might be faced by plantation industry to be more accountable towards any potential biodiversity loss, as compared to other industries in Malaysia, this present study will take a close examination on how Malaysian plantation companies use their corporate report to strategise and legitimise their position. Hill and Maroun (2015) asserts that to avoid any possible societal disapproval and eventually state or policy intervention, there is a need for companies to maintain their legitimacy and continue their presence in the nation economy.

It is acknowledged that while research on biodiversity reporting has started to grow in popularity, many biodiversity-based literature have taken a content analytic approach exploring whether certain biodiversity issues have been reported at all (see for example Skoulodis et al., 2019, Addison et al., 2019; Bhattacharyya & Yang, 2019). This present study, however, seeks to get behind the sheer volume of how much has been reported and attempts to answer the following research questions:

RQ1: Do institutional isomorphisms represented through coercive, normative or mimetic forces exists in the reporting of biodiversity-based information by Malaysian plantation companies?

RQ2: How the existence of institutional isomorphic forces facilitates the change in the legitimacy strategies used and the volume of biodiversity-based information reported by Malaysian plantation companies?

The remainder of this article is structured as follows: Section 2 is a literature review section that discusses institutional isomorphism, legitimacy strategy and its relevance within the context of biodiversity reporting particularly in Malaysia. Sections 3 describes the methodology. Section 4 presents the result together with a review of the findings and Section 5 concludes.

Literature Review

This present study is grounded on neo-institutional theory. The theory originated from the 'old institutional' theory under which companies are considered as one of the players in an economic system that operate within an environment formed by a nexus of institutions that affect their behaviour and impose expectations on them (Campbell, 2007). According to Boxenbaum and Jonsson (2008), companies, in legitimising their business operation, will

adapt themselves to technical and institutional pressure and that the concern is on what the society expect from them (Boxenbaum & Jonsson, 2008). This institutional environment will define “the rules of the game in a society or, more formally, the humanly devised constraints that shape human interaction” (North, 1990). In short, the original institutional theory proposes that any company is able to change their behaviour in response to any new development that occurs within their business environment including those related to sustainability reporting practices (Martínez-Ferrero & García-Sánchez, 2015).

While the ‘old institutional’ theory relies on the general concept of institutional pressure, neo-institutional theory extends this notion by offering a framework that describe isomorphism as a force that drives similarity between companies’ practices (Di Maggio & Powell, 1983). It represents a phenomenon that forces companies operating within the same institutional environment to resemble each other by adopting the same institutionalised structures (Di Maggio & Powell, 1983). DiMaggio and Powell (1983) identified three types of institutional isomorphic forces namely coercive, mimetic and normative. Coercive isomorphism is associated with forces created by external pressures, formal or informal, made by other actors whom the companies are depending on (DiMaggio & Powell, 1983). The most common example for coercive isomorphism is norms or standards set by regulatory bodies.

In the case of Malaysia, starting from year 2006, Malaysian stock exchange, Bursa Malaysia has introduced a requirement for all of it listed issuers to disclose their corporate social responsibility (CSR) activities or practices in annual reports. Following the enforcement in 2006, Bursa Malaysia then made another major step in year 2015 with the launching of Sustainability Framework, replacing the requirement for CSR reporting. Under the new Sustainability Framework, Malaysian listed companies are now expected to issue a narrative Sustainability Statement in respect to the management of economic, environmental and social risks and opportunities in their annual report (Tong, 2020). To facilitate the process of preparing the Sustainability Statement, Bursa Malaysia has also issued Sustainability Reporting Guide, which was then revised in year 2018. While the need to produce Sustainability Statement is mandatory, the use of the Guide itself is voluntary. Additionally, it is also notable that while the reporting requirement is on sustainability, biodiversity has been included as part of environmental indicators creating a form of coercive isomorphism to Malaysian companies. Most importantly, in both version of the guides, four industries namely plantation, oil & gas, utilities and construction & real estate have consistently been requested to identify, assess and report any risk their business operation has on biodiversity as well as method taken to reduce their biodiversity footprint. These are also industries identified by F&C Asset Management (2004) as among red zone industries that pose greater risk to biodiversity loss.

The second isomorphic force is normative isomorphism, where similarity of practices and reporting among companies is a result of a professional organisation promoting a network to involve all the participants (Moseñe et al., 2013). According to Laine (2009), these professional networks may refer to those responsible for companies’ CSR and sustainability issues. Such events and networks could form channels for the dissemination of new reporting innovations such as the Global Reporting Initiative (GRI) (Mosene et al., 2013). Normative isomorphism can also be argued as a form of extension for coercive isomorphism as under this force, companies may opt to go beyond the legal requirements and follow the values set by professional networks in which the companies are a member of. In addition to professional organisation, Levy and Kolk (2002) further asserts that normative isomorphism may also come from educational institutions and social movement organisation. It has been strongly suggested in the literature that normative force can also be a result of companies interacting with or are members of sustainability promoting institutions such as the non-governmental organisations

(NGOs) who will be more aware of sustainability issues and will be more likely to act in a socially responsible manner (Campbell, 2007). In the case of biodiversity reporting, the existence of various biodiversity partnership with related professional bodies or NGOs may provide evidence of normative isomorphism that exists within the context of Malaysian plantation companies.

The final institutional isomorphism asserted by DiMaggio and Powell (1983) is mimetic isomorphism. The key question highlighted under this force is whether or not companies engage in sustainability practices as a mean for mimicking the behaviour of their competitors particularly those perceive as leaders in their industry? (Martínez-Ferrero et al., 2015). The key concept brought forward by mimetic isomorphism is that when facing with uncertainty, companies will model themselves with other organisations deemed as more successful in their industry (Laine, 2009). One particular issue with mimetic isomorphism is that it may coincide with coercive isomorphism as companies may feel coercive pressures due to broader social expectations and seek solutions by imitating the practices of other organisations (Laine, 2009). The existence of mandatory reporting requirement or reporting guide may also complicated the situation and make it impossible to determine whether or not mimetic isomorphism exists. Carungu et al. (2019) further asserts that mimetic isomorphism can be associated with, in the presence of uncertainty, voluntarily imitate what others perceive as best practice. In the case of biodiversity reporting, it has been highlighted in Bursa Malaysia Sustainability Guide 2015 and 2018 that companies may voluntarily follows the reporting guideline of GRI and in the case of biodiversity, GRI 304. Additionally, in the 2018 guide, another tool of best practice being highlighted is the Sustainable Development Goal (SDG). SDG 15, in particular, is formulated with an aim to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss (UNEP, 2021). Therefore, it is expected that any companies that voluntary report a biodiversity-based practice reflecting either GRI or SDG is imitating what others perceive as best practice and hence represent mimetic isomorphism. Nonetheless, as highlighted by Laine (2009), the rationale for any change in a company's reporting practice may be a result of various isomorphic forces and that two or more institutional isomorphism may exist at one time. Overall, it can be concluded that coercive isomorphism means companies practice the same pattern of reporting with other companies because of pressure made by regulation while normative isomorphism is due to professional pressure and mimetic isomorphism is a result of industry pressure (Martínez-Ferrero & García-Sánchez, 2017)

When facing with institutional isomorphism regardless whether it is coercive, mimetic or normative, that could challenge the reputation of a company, managers are compelled to react and repair damaged legitimacy (O'Donovan, 2002). Legitimacy is an assumption that companies act based on what they believe as desirable by a socially constructed value system (Suchman, 1995). It relies heavily on companies' assessment on who they consider as influential in a social contract between companies and their stakeholders (Laine, 2009). The stakeholders may include the communities living within the proximity of the companies' operation, local regulators as well as non-governmental organisations (Deegan, 2002). In order to ensure they can continue to operate, companies need to convince their influential stakeholders that they are doing more good than harm (Tregidga et al., 2014). This led to the importance of having corporate reporting, which in turn could lead to a creation of report that acts only as window dressing with factual organisational activities decouple from the external report given to outsiders (Mouritsen & Skaerbaek, 1995). Regardless whether the reality is the same or not, the external report may be rationalised as a mechanism used by companies to legitimise their actions and eventually meeting the social expectations (Laine, 2009). This can involve efforts to divert stakeholders' attention, manage and alter their expectations in order to

limit criticism, adhere to societal expectation and, on occasion, denial of responsibility or defend their action (Dube & Maroun, 2017).

Therefore, taking into consideration the potential link between institutional isomorphism, legitimacy strategies and companies' reporting, it is the aim of this present study to first analyse the existence of institutional isomorphism in the reporting of biodiversity information by Malaysian plantation companies. Secondly, as it is expected that plantation companies would respond to the isomorphic forces to legitimise their operation and regain favour with important stakeholders to avoid any public or policy intervention, the study will also analyse the change in legitimacy strategies used as well as the volume of biodiversity-based information reported by the Malaysian plantation companies. To the knowledge of this present study, a study that look at the role of institutional isomorphism and legitimacy strategy within the specific context of biodiversity reporting has been very limited, if not almost non-existent. Most of previous biodiversity reporting studies (see for example Skoulodis et al., 2019; Bhattacharyya & Yang, 2019; Adler et al., 2017) have put more focus on analysing volume of biodiversity reporting with little attention given on potential reasons behind each of the reported biodiversity information.

Methods

The study focuses on 43 plantation companies over a period of 5 years (2016-2020). Three companies were excluded from the analysis due to non-availability of the corporate reports leaving only 40 companies to be analysed. Plantation industry is selected as it is one of the industries being highlighted in the 2018 Bursa Malaysia Sustainability Reporting Guide expected to provide a report on their assessment of risk associated with biodiversity and potential impact their companies' operation could have on biodiversity. Meijaard et al. (2018) reported that plantation industry particularly the expansion of palm oil has become the largest contributor to losses of natural habitats and that 85 percent of it comes from Malaysia and Indonesia. Therefore, for the purpose of this present study, the choice of plantation industry is considered as highly relevant particularly in the context of Malaysia. To ease the data collection process as well as the discussion of findings, each company was assigned a coding name of P1 until P40. The dataset consists of corporate reports produced by the 40 companies namely annual report and stand-alone sustainability report (if available). Year 2016 is selected as the starting year of analysis to see if the establishment of the first version of Bursa Malaysia sustainability guide in year 2015 has put sufficient pressure for companies to report specific information on biodiversity conservation.

For data collection and analysis, the study analyses the companies' report through the use of interpretive textual analysis, similar to the one use by Dube and Maroun (2019) and Laine (2009). Overall, the interpretations have been formed through numerous rounds of identifying and reading biodiversity-based information that lead to a subjective sense making on identifying relevance institutional isomorphism as well as potential legitimacy strategy used by a particular company. To look for information related to biodiversity, similar to Grabsch, Jones and Solomon (2010) and Van Liempd and Busch (2013), the researchers utilised a set of biodiversity related terms namely "biodiversity", "habitat", "eco-system", "conservation", "preservation", "restoration", "species", "flora", "fauna", "wildlife," "marine life". To better show the distribution of biodiversity information found in the corporate report, each information found were categorised into four categories. This is consistent with the Bursa Malaysia Sustainability Guide that has used GRI standard as its main reference. Each biodiversity information found will be counted based on frequency i.e. if an information from the same biodiversity category was found on another page, the information will be counted

again. Therefore, there is no maximum number of biodiversity information need to be reported for each biodiversity category. The categories are illustrated in Table 1.

Table 1: Category of Biodiversity Information

GRI Standard	Categories
304-1 (B1)	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas (GRI, 2018)
304-2 (B2)	Significant impacts of activities, products, and services on biodiversity (GRI, 2018)
304-3 (B3)	Habitats protected or restored, which may include size/location of habitat restored, whether partnership exists and methodologies used (GRI, 2018)
304-4 (B4)	International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations (GRI, 2018)

In categorising legitimacy strategy potentially applied by each company, legitimacy strategies proposed by Dube and Maroun (2017) adapted from O'Donovan (2002) and Suchman (1995) is referred. To facilitate the coding process, the legitimacy strategies adapted from Dube and Maroun (2017) were categorised into six and each category was assigned a code of 1 to 6 namely (1) To divert the attention of stakeholders from biodiversity-based issues by focusing more on other types of information e.g. biodiversity conservation activities not related to companies operation; (2) To alter stakeholders' expectation by offering extensive explanation to make society understand the company's circumstances when it comes to biodiversity; (3) To adhere to society's value by selectively acknowledge biodiversity risk associated to companies' operation; (4) To defend negative event by offering explanation on measures taken; and (5) To deny any responsibility related to biodiversity issues. Recognising the possibility a company may be forced to apply more than 1 strategies in one particularly year in response to different pressures they are facing, a coding value '6' was given in the case where a combination of 2 or more strategies are used.

Similarly, in the case of institutional isomorphism, adopting the three types of institutional isomorphisms identified by DiMaggio and Powell (1983) and considering the possibility of zero existence of institutional isomorphism as well as the possibility more than one isomorphisms may exist at one time, five coding values are assigned to each company. A coding value of '0' is assigned if there is no evidence of isomorphism, '1' is assigned for coercive isomorphism, '2' for normative isomorphism and a value of '3' for mimetic isomorphism. A coding value of '4' will be given to a report with evidence of having at least 2 types of institutional isomorphisms. In assigning the coding value for both institutional isomorphism and legitimacy strategy, the coding value will be based on researchers' overall judgement when reading the whole report for that particular year. This means, every year, each company was assigned only 1 coding value for isomorphism and 1 coding value for legitimacy strategy.

Findings
Volume of Biodiversity Reporting

Table 2: Distribution of Biodiversity Information Reported

Biodiversity Category	Descriptive	2016	2017	2018	2019	2020
B1	Mean	0.275	0.3	0.45	0.6	0.55
	Median	0	0	0	0	0
	Mode	0	0	0	0	0
	Minimum	0	0	0	0	0
	Maximum	3	2	3	5	4
	Sum	11	12	18	24	22
B2	Mean	0.4	0.65	1.1	1.3	1.3
	Median	0	0	1	1	1
	Mode	0	0	0	1	1
	Minimum	0	0	0	0	0
	Maximum	3	4	4	4	6
	Sum	16	26	44	52	52
B3	Mean	1.8	2.3	2.625	3.05	3.45
	Median	0	1	1	2	1
	Mode	0	0	0	1	1
	Minimum	0	0	0	0	0
	Maximum	20	24	23	16	23
	Sum	72	92	105	122	138
B4	Mean	0.475	0.375	0.425	0.625	0.65
	Median	0	0	0	0	0
	Mode	0	0	0	0	0
	Minimum	0	0	0	0	0
	Maximum	8	4	3	6	6
	Sum	19	15	17	25	26
Total	Mean	2.95	4.65	8.875	17.125	33.6
	Median	1	2	4	7	13
	Mode	0	0	0	0	0
	Minimum	0	0	0	0	0
	Maximum	31	45	87	169	332
	Sum	118	186	355	685	1344
No. of Species protected	Mean	1.125	2.225	0.95	1.925	3
	Median	0	0	0	0	0
	Mode	0	0	0	0	0
	Minimum	0	0	0	0	0
	Maximum	12	48	7	18	70
	Sum	45	89	38	77	120

Table 2 presents the distribution of biodiversity information reported by 40 Malaysian plantation companies, in total as well as by the four biodiversity categories. Based on the data

provided, it can be concluded that over the 5 years period, there has been an improvement in the volume of biodiversity information reported by Malaysian plantation companies. Based on total number of biodiversity information reported, the volume has increased from a total of 118 information in year 2016 to 1344 in year 2020. On average, each plantation company reported 2.95 information related to biodiversity in year 2016 and the value has shown a large increase after year 2017 with an average value of 17.125 per company in year 2019 and 33.6 per company in year 2020.

The increasing trend could be contributed by the change in the listing requirement related to sustainability disclosure. For example, starting from year 2017, all companies listed in the main market are required to disclose material sustainability matters in their corporate report by providing information such as how sustainability related issues are identified and managed. The implementation of this additional listing requirement has been divided into two phases i.e. from year 2016 for companies with market capitalisation more than 2 billion and 2017 for companies with market capitalisation less than 2 billion. Out of 40 companies analysed, it was found that only 8 companies with market capitalisation of more than 2 billion. Therefore, it is no surprise to see a jump in the volume of biodiversity information reported after year 2017 as 80 percent of the plantation companies are with market capitalisation of less than 2 billion. On the other hand, as the listing requirement focuses on sustainability related issues in general, there is still a possibility that companies will choose not to report any information related to biodiversity. This is proven by the findings in Table 1 where minimum total score for biodiversity related information is 0 from year 2016 until year 2020. The score for mode also shows a '0' value indicating '0' as the most common figure found when analysing Malaysian plantation companies' corporate reports.

A comparison between the four categories of biodiversity information shows the most reported category from year 2016 until year 2020 is B3 i.e. information related to biodiversity habitat protected and restored. This category has been consistently earning the top spot every year indicating Malaysian companies' preference to report what they have done to help conserve biodiversity area. This could be part of impression management strategies applied by the company to show they are adhering to the society's expectation to help conserve biodiversity loss. On the other hand, category that has been reporting lower volume of biodiversity information is B1 i.e. information pertaining to companies' operational sites that are adjacent to protected area. Except for year 2018, this category has recorded the lowest volume of information reported as compared to the other three categories. One possible reason is due to the nature of the information itself where companies are required to disclose the location of their operation that has the possibility of contributing to biodiversity loss. For some companies, this can be a risky step to take as it may cause disruption to their operation particularly if some stakeholders decide to raise a concern on the location of their operation.

An additional analysis was also conducted on Malaysian plantation companies' effort to protect certain types of protected or endangered species. The results show, in most report, the companies have opted not to specifically disclosed types of protected or endangered species (mode value '0'). On the other hand, there were also companies who were willing to provide a list of species that they have helped to protect, particularly those located close to their operational sites. One company has even listed down 70 names of protected species found close to their operational sites and have been declared as highly protected areas indicating company's effort to ensure their operation will cause minimum loss to the biodiversity. Among species commonly highlighted in the companies' reports were Orang Utan, Proboscis Monkey, Elephant, Sun Bear, Malayan Tiger and Giant Turtle.

Companies' Legitimacy Strategy on Biodiversity Reporting

Table 3: Distribution of Companies' Legitimacy Strategy on Biodiversity Reporting

Strategy	2016		2017		2018		2019		2020	
	F	%	F	%	F	%	F	%	F	%
1	1	3%	1	3%	1	3%	1	3%	1	3%
2	0	0%	0	0%	0	0%	0	0%	0	0%
3	19	48%	24	60%	25	63%	35	88%	35	88%
4	0	0%	0	0%	0	0%	0	0%	0	0%
5	19	48%	15	38%	12	30%	4	10%	3	8%
6	1	3%	0	0%	2	5%	0	0%	1	3%
Total	40	100								

Note: 1-Divert the attention; 2-Alter stakeholders' expectation; 3- Adhere to society's value; 4-Defend negative event; 5- Deny any responsibility; 6-Combination of 2 or more strategies

Table 3 provides the distribution of legitimacy strategy used by the 40 Malaysian plantation companies over the period of 5 years. As illustrated in Table 3, the most commonly used strategy seems to be adhering to the society's value (88 percent in year 2020). Under this strategy, companies have willingly acknowledged biodiversity risk associated with their operation and that measures have been taken to ensure the possibility of biodiversity loss was minimised. For example, the following statement can be found in the 2018 annual report of Company P7:

'Where endangered, rare and threatened species of biodiversity were found or encountered within the Group's premises including those in HCV areas or conservation sites, adaptive management plans and monitoring activities were initiated'

The above statement indicates company's willingness to acknowledge there are areas close to their operational sites that could contribute to biodiversity loss and that company has taken necessary steps to prevent any potential biodiversity loss. It is also notable that over the 5 years period, number of companies using this strategy have gradually increased from 48 percent in year 2016 to 88 percent in year 2020.

The results also show 1 company (3 percent) has been consistently using Strategy 1 i.e. to divert the attention of the stakeholder. It is interpreted that this company prefers to use 'divert the attention of the stakeholder' strategy as instead of reporting biodiversity information related to their companies' operation, the company opted to disclose information on how they have helped to conserve the biodiversity as part of their CSR initiative. It is also important to note there are also companies who denied any involvement on biodiversity related issue (Strategy 5). The strategy, however, is showing a declining trend as it changes from 48 percent in year 2016 to only 8 percent in year 2020. The rationale behind this change is possibly due to the coercive isomorphism that has taken place with the change in Bursa Malaysia listing requirement on sustainability related matters. For example, the requirement to disclose material sustainability matters from year 2016 (companies with market capitalisation more than 2 billion) and year 2017 (companies with market capitalisation less than 2 billion) may have forced companies to admit that biodiversity is one of material issue that need to be addressed. Table 3 also shows none of the companies specifically focused on using Strategy 2 (alter stakeholders' expectation) and 4 (defend negative event) individually. Nonetheless, there are companies that actually used Strategy 4 (defend negative event) but not as a standalone strategy. Instead, the strategy was used in combination with other strategy particularly Strategy

3. Strategy 4 requires company to admit there are negative event involving the company and that company is proactively taking measures to reduce the risk. For example, the following information was reported in the 2018 annual report of Company P10:

‘We continue to seek resolution to a compensation case first raised from a RSPO certification audit at TPOM in 2013. The case was raised by auditors who assessed that an area totalling 1,406 hectares on our Northbank and Tabin estates had been cleared without undergoing the required HCV assessment. As custodians of the land, we have records showing that the area in question was degraded prior to planting, and therefore did not require a HCV assessment’

The above information represents a strategy where the company was trying to defend a negative event associated with company’s operation by providing explanation on why the event occurs as well as explanation on steps taken to ensure the matter can be resolved. It is commendable that there are companies willing to acknowledge such negative events are occurring within their companies’ operation and that they are being transparent in discussing the issue.

Institutional Isomorphism and Biodiversity Reporting

Table 4: Distribution of Institutional Isomorphism

<i>Isomorp.</i>	2016		2017		2018		2019		2020	
	<i>F</i>	%								
0	19	48%	15	38%	12	30%	4	10%	3	8%
1	16	40%	17	43%	18	45%	26	65%	25	63%
2	0	0%	0	0%	0	0%	0	0%	0	0%
3	0	0%	0	0%	0	0%	0	0%	0	0%
4	5	13%	8	20%	10	25%	10	25%	12	30%
Total	40	100								

0- No evidence of isomorphism; 1-Coercive isomorphism; 2-Normative isomorphism; 3-Mimetic isomorphism; 4 - Combination of 2 or more isomorphism

Table 4 provides evidence on the existence of institutional isomorphisms among Malaysian plantation companies. In year 2016, the evidence suggests, despite the mandatory requirement to produce sustainability statement in year 2015, coercive isomorphism has not created any pressure on 48 percent (19 companies) of the plantation companies to report information related to biodiversity. The same conclusion can be made for normative and mimetic isomorphism as there is no evidence of these 19 companies to be a member or in partnership with agencies related to biodiversity or were following GRI standards or SDGs in preparing their reports. However, the situation seems to improve over the 5 years period as number of companies with no evidence of isomorphism decline from 48 percent in year 2016 to only 8 percent in year 2020. This is also reflected in growing evidence of coercive isomorphism from 40 percent in year 2016 to 63 percent in year 2020. This lack of coercive isomorphism particularly in year 2016 is also consistent with the findings on volume of biodiversity information reported (Table 2) as the findings show volume of biodiversity information is lower (118) in year 2016 as compared to year 2020 (1344). Similarly, findings on the legitimacy strategy used (Table 3) also show more companies denying their responsibility on any biodiversity related issue (Strategy 5) in year 2016 (48 percent) as compared to year 2020 (8 percent).

It is also notable, from the report, another factor that may have contributed to the existence of coercive isomorphism is the requirement for palm oil companies to obtain the Malaysian Sustainable Palm Oil (MSPO) certification by the end of year 2019. One of the principles

required to be fulfilled under MSPO certification is biodiversity enhancement. Therefore, it is no surprise that evidence of coercive isomorphism has increased from 45 percent in year 2018 to 65 percent in year 2019 as palm oil companies are now obliged to provide a report on whether or not they have fulfilled all the principles required by MSPO. Consistently, results on total volume of biodiversity information reported (Table 2) has also shown a big increase from year 2018 (pre MSPO certification) onwards. On the other hand, it can also be argued with no specific mandatory requirement for plantation companies to disclose information pertaining to biodiversity, coercive isomorphism will not 100 percent exist. Despite the existence of sustainability guide, which highlights the need for plantation companies to disclose information pertaining their companies' operation and sustainability related issues, the voluntary nature of the guide is not sufficient to put regulatory based pressure (coercive isomorphism) on the companies to report more information related to biodiversity.

In the case of normative and mimetic isomorphism, with a score 0, there is no evidence of the two isomorphism exist on their own. This is expected as the two isomorphisms may exist as either an extension to (normative) or coincide with (mimetic) coercive isomorphism. As illustrated in Table 4, coding value '4' has shown a gradual increase from year 2016 with a score of 13 percent to 30 percent in year 2020. The increase provides evidence of growing additional pressures, on top of coercive isomorphism, on companies' reporting of biodiversity information resulted from normative and mimetic isomorphism. To illustrate, the following statement from 2016 annual report of Company P6 indicates potential existence of normative isomorphism where the company form partnership with government agencies, education institution and NGOs to contribute to biodiversity-based projects.

'One of our landmark sustainability initiatives is the Sun Bear Conservation Project (SBCP), which is a collaboration between Company P6 with the Department of Wildlife and National Parks (DWNP), Malaysian Nature Society (MNS) and University Kebangsaan Malaysia (UKM)'

In the case of mimetic isomorphism, the following evidence was found from 2020 Sustainability Report of Company P1:

'Strengthening our Environmental Management Guidelines by having clear specific stages in handling fire, peat and biodiversity within our operations (Priority SDG: Target 15.5)'

The above statement was part of Company P1 initiatives to support SDG 15 target particularly Target 15.5. This provides an indication that the company is trying to imitate a practice deemed to be the best by disclosing information on how the company contributes to the achievement of SDG target. The increase in frequency for combination of two or more isomorphisms is also consistent with the increase in total volume of biodiversity information reported shown in Table 2.

Discussion and Conclusion

The primary objective of this study is to explore the existence of institutional isomorphic forces namely coercive, normative and mimetic isomorphism in facilitating legitimacy strategies used and the volume of biodiversity-based information reported by Malaysian plantation companies. The study has provided strong evidence on the growing existence of coercive isomorphism for the 5 years study period. The existence of coercive isomorphism seems to become the main force for companies to adhere to society's value by acknowledging biodiversity risk associated with companies' operation. Consistently, with more companies adhering to society's value on

biodiversity conservation, the findings also show the growing volume of biodiversity information reported by Malaysian plantation companies over the five years period. The added pressure resulted from normative or/and mimetic isomorphism has also helped to further improve the reporting of biodiversity-based information in the corporate reports of Malaysian plantation companies.

Theoretical Implications

From a theoretical perspective, this present study contributes to the literature that focuses on the role of institutional isomorphisms in exerting pressure on sustainability accounting practices of companies, particularly related to biodiversity reporting. This study extends the concept theorised by Di Maggio and Powell (1983) by providing insight into how coercive, normative and mimetic isomorphism facilitate legitimacy strategies used in reporting biodiversity-based information. Additionally, the study also contributes to the research gap in the literature as most of previous biodiversity reporting studies have put more focus on analysing volume of biodiversity reporting with little attention given on potential pressure and strategy behind each of the reported biodiversity information.

Practical and Social Implications

In practical terms, the findings provide opportunity for policy makers to understand strategies used by Malaysian plantation companies in response to the institutional isomorphism that could be beneficial in formulating a more effective biodiversity-based related policies. For example, given coercive isomorphism is yet to be fully reflected in the reporting of biodiversity information, despite the mandatory status of sustainability reporting in Malaysia, indicates the need to enhance regulatory environment surrounding corporate biodiversity conservation. It is expected that an improvement on biodiversity-based related policies will enhance companies' commitment towards biodiversity conservation and eventually minimise the possibility of disruption in socio-economic development of a nation.

Limitations and Suggestions for Future Research

Despite the evidence provided by this present study, it is acknowledged the use of interpretive textual analysis may have made the conclusions subjective as the technique relies heavily on the professional judgement made by the researchers. Another group of researchers may have interpreted the information differently. Therefore, future research could focus on providing evidence using primary data such as interview and survey to better understand the pressure faced by companies and their motivation to report specific information on biodiversity conservation. Additionally, a comparison with other industries, either biodiversity sensitive or non-biodiversity sensitive, could provide more insight on the role of institutional isomorphisms.

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