LEGITIMACY DYNAMICS FROM INSIDE PALM OIL

Method: Qualitative

Requested Paper type: Presentation

ABSTRACT

Questions of the governance and legitimacy of Palm Oil agribusiness have been an area of scholarly interest for number of years, driven by concerns over environmental and social sustainability. However, that research has largely been confined to a either a governance system level of analysis or outside perspective to towards firms. This study offers an inside perspective to the legitimacy dynamics facing the industry with a longitudinal ethnographic study of a palm oil plantation firm in the Republic of Liberia confronted by significant challenges to its legitimacy. Preliminary results suggest that managers are faced with complex and contradictory pathways to legitimacy that require new approaches and a readiness to engage with stakeholders at every level of the firm.

INTRODUCTION

Companies in the primary sector, especially palm oil agribusiness, are the subject of considerable controversy regarding their social, environmental and economic sustainability (Bitzer & Glasbergen, 2015; Boons & Mendoza, 2010; Hamilton-Hart, 2015; Husted, Montiel, & Christmann, 2016; Marin-Burgos, Clancy, & Lovett, 2015). Firms, especially those operating in the least developed countries, face particular challenges in demonstrating the legitimacy of their operations both locally and to actors on a global level in terms of the "triple bottom line" (Elkington, 2001, 2018) and human rights (Lomax, 2015). Those firms often operate in the global periphery and alongside vulnerable communities and are subject to complex institutional arrangements governing both the policy environment and sustainability standards. For palm oil a key governance forum is the Roundtable on Sustainable Palm Oil (RSPO), a multi-stakeholder initiative that sets the principles and criteria for certified sustainable palm oil as well as providing a complaints and arbitration mechanism (RSPO, 2019).

Of interest in this paper are also the tensions between social and environmental sustainability and tensions between local communities, the company and other stakeholders such as NGOs. These tensions

are interesting because prior research on palm oil social sustainability has shown that communities are autonomous actors (Marquis & Battilana, 2009) that can use NGO involvement as a negotiation tool (Köhne, 2014), have interests that NGOs do not always consistently represent, or may be at odds with NGO aims (Rival & Levang, 2014; Therville, Feintrenie, & Levang, 2011). In addition, while Non-Governmental Organisations play a central role in advocating for sustainability and the rights of communities, they are not infallible (Fassin, 2009) and their actions can have ambiguous consequences for sustainability. For society more broadly, understanding what happens inside palm oil agribusiness, can suggest ways in which sustainable outcomes might be co-produced. Investment in palm oil, done well, can be a powerful catalyst for employment and regional (re)development, especially in areas that are peripheral emerging centres of economic activity (Gifford, Kestler, & Anand, 2010; Rival & Levang, 2014). However, done poorly, environmental, social and economic costs become significant (Baumol, 1996; Kemp & Owen, 2013).

Consequently this study seeks to understand the complex legitimacy-as-process dynamics (Suddaby, Bitektine, & Haack, 2017) of sustainability governance affecting a palm oil plantation in the Republic of Liberia, one of the least developed countries in the world, still recovering from decades of civil war and unrest. Given the context and relatively ambiguous authority structures, also important are questions of who is accountable to whom and in what way and how expectations and reality interact to produce either legitimacies or illegitimacies depending on the stakeholders involved. More specifically then, this early-stage study asks broadly *how primary sector companies respond when their legitimacy is challenged?*

A central theme running through the study is what happens when managers are challenged to respond to a wide array of pressures and to reconcile organisational activity with the requirements of a multitude of actors and institutions in order to gain and maintain legitimacy while continuing to run a business (Oliver, 1991; Suddaby et al., 2017). This matters for firms and their managers, because the way this complexity is dealt with, in terms of what is legitimate, has important implications for determining what the organisation can and cannot do and also for organisational survival (Scott, 2001). My project explores these dynamics through a longitudinal (2008 – present) ethnographic study the legitimacy process surrounding the application, monitoring and interpretation of Free Prior and

Informed Consent (FPIC)[1] procedures required by the Roundtable on Sustainable Palm Oil of a greenfield oil palm plantation in the Republic of Liberia. Regarding access to data one of the co-founders of this plantation is a close family member of mine, whose involvement with the firm ended in 2017. For a period in 2013 and 2014 I was closely involved on the ground in Liberia helping address some of the challenges faced by the company. Data and limitations will be addressed further in the appropriate section below.

THEORETICAL BACKGROUND

In sustainability literature, particular attention has been directed towards the institutional legitimacy of companies in the primary sector, and their activity (Gifford & Kestler, 2008; Gifford et al., 2010; Rathert, 2016), as well as the legitimacy of sustainability governance institutions, such as multi-stakeholder initiatives (Fransen, 2012; Fransen & Kolk, 2007; Marin-Burgos et al., 2015), in light of critical perspectives towards established conceptualisations of legitimate activity, including CSR (See e.g. Ahen & Zettinig, 2015; Banerjee, 2008; Barkemeyer, 2009).

Institutions are socially constructed structures that both constrain and enable the actions of organisations and individuals (Scott, 2001). In addition to formalised regulations, rules and systems – regulatory institutions – institutions are also normative, based on expectations, and cognitive, based on their grounding in shared understanding and logics (Dimaggio & Powell, 1983; Scott, 2001). Institutions are subject to change over time, and may be contradictory or interpreted differently in different contexts (Dacin, Goodstein, & Scott, 2002). Institutions invariably affect companies in complex and interesting ways through the many institutional environments that they inhabit (e.g. Meyer & Peng, 2005). In addition, while early institutional theory posited that organisations conform to institutional pressure to meet requirements and expectations (Dimaggio & Powell, 1983; Meyer & Rowan, 1977), later literature suggests that organisations have agency and can strategically respond to institutional pressure in different ways (Oliver, 1991). Organisations do this in order to manage their

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[1] Free Prior and Informed Consent is a term within the RSPO principles and criteria signifying that affected indigenous communities have granted their permission to the investing firm to proceed with operations without duress, and with sufficient time and information to make an informed decision. The precise route to achieving FPIC remains contested especially in terms of what degree and permanence of consent is desirable.

institutional legitimacy which, in institutional theory, is a precondition for organisational survival (Dimaggio & Powell, 1983; Scott, 2001; Suchman, 1995). In the context of this research, firm legitimacy is an institutionally constructed process (Suddaby et al., 2017), and companies face pressure to conform to institutions that delineate what is appropriate, i.e. legitimate, activity.

Regarding sustainability, current literature and practice are in doubt whether the CSR construct is a viable pathway to social sustainability especially in the case of the most vulnerable communities in developing countries (Ahen & Zettinig, 2015; Banerjee, 2008; Ehrnström-Fuentes, 2016). It can be said that CSR appears to give both too much and too little detail regarding impacts and events on the ground and is sometimes castigated as window-dressing. It is in response to this, and to broader environmental and social concerns regarding the activity of companies, that NGOs and other organisations have established themselves over time as monitors of firm action globally (Cf. Laasonen, 2012). In order to affect change in firm behaviour, these organisations, be they NGOs, consumer groups or multi stakeholder initiatives (MSIs), use institutional tools to shape the definition of legitimate activity.

One particular area of concern among sustainability researchers, practitioners and activists is the relative lack of attention paid to the needs of local communities in the throes of development (Ehrnström-Fuentes, 2016). Measures and concepts that are intended to look after community rights are at once considered essential while also derided as both window-dressing and insufficient to protect the most vulnerable. Communities, as evidenced by the interest in social licence to operate-literature (SLO) in the mining sector, are seen as important source of legitimacy by primary sector MNEs as well as critics of MNE activity (Boutilier, 2014; Gifford & Kestler, 2008; Mayes, 2015; Prno & Scott Slocombe, 2012). In certain contexts, such as those where a MSI such as the Marine Stewardship Council (MSC) or the Roundtable on Sustainable Palm Oil (RSPO) determine and label the sustainability of primary sector MNE activity (Cheyns & Riisgaard, 2014; Kalfagianni & Pattberg, 2013; Von Geibler, 2013), communities seemingly hold significant power in conjunction with other institutional actors such as the host country government and international and domestic NGOs over the perceived legitimacy of MNE activity (Köhne, 2014).

This paper also aims to challenge prevalent dichotomous perspectives of primary sector firms and their legitimacy by emphasising the processual, negotiated and context and actor dependent nature of

legitimacy (Bitektine & Haack, 2015; Suddaby et al., 2017). This paper argues that instead of using legitimacy to draw differences, opened up, legitimacy processes can be used to identify common ground between actors and constructive ways forward.

DATA AND METHODS

This study adopts ethnographic methods to investigate and understand the mechanisms and dynamics of legitimacy processes as they are seen and responded to within a palm oil plantation in the Republic of Liberia. This research is longitudinal, with data and analysis spanning from the initial business opportunity in 2008 through founding in 2009, an Ebola outbreak in 2014 to the present day (Figure 1). Research is being conducted primarily using a narrative process research strategy (Langley, 1999: 695) combined with an ethnographic approach drawing on my close relationship to the company (Van Maanen, 1979). That ethnographic approach is partly collaborative in that I will circulate a draft of the ethnographic narrative among interviewees to receive their feedback, comments and corrections, to ensure that the case description is as valid as possible.

Figure 1 about here

This approach is supported by already collected and partially analysed longitudinal data and notes from prior work with the case firm on sustainability issues at distance and on the ground in Liberia. Internal documents and materials are available for use from before the founding of the case company in 2009, as are documents from within the multi-stakeholder framework of the RSPO since the company joined in 2011. Until 2018 the case company was an RSPO certified producer subject to the principles and criteria governing sustainable palm oil and committed to delivering development in its region of operations by its concession agreement with the host country government; progress reporting documents, notices and presentations were produced as a part of this. Since that time, the company it remains subject to some of the governance applied to the investing emerging market conglomerate in South East Asia and complaints and grievances are recorded in the conglomerate's own sustainability disclosure documentation. Further data is composed of interviews with case company senior management (7 complete), stakeholders from civil society (3 scheduled) as well as from the national government in order to include multiple voices and perspectives. Senior management reached so far

includes one founder, a number of senior operations staff as well as sustainability managers. Forthcoming interviews in the company include further sustainability staff members as well as consultants and non-governmental organisations. I am in the process of attempting to arrange interviews with current and former government officials in Liberia which is expected to bring valuable insight from the policy making perspective, as well as grounding the research in the political reality of Liberia at the time. In addition, I aim to interview other NGO representatives to add further detail. Existing data and forthcoming data collection are described in Table 1 below.

Table 1 about here

A qualitative method is useful particularly in developing practicable frameworks of how primary sector project legitimacy, in terms of social sustainability, is constructed in complex institutional environments. A further reason to adopt a qualitative approach is that this research aims for a holistic, and context-sensitive, understanding (Eriksson & Kovalainen, 2015: 5; Strong, 1992) of the institutional processes of pressure and response that construct legitimacy (Oliver, 1991; Scott, 2001; Suddaby et al., 2017). The complexity of the phenomena such as the interaction between organisations, institutions and their contexts also warrants the use of qualitative methodology (Easton, 2010).

It is important to note that while my closeness to the research setting allows extensive and novel access to the company, that closeness is also a key limitation for this study. It is difficult for me to claim that while I am wearing my researchers' hat, that I am free of the influence of my relationship to the firm and the pre-understanding that that entails. This emphasises the need for a reflexive process (Alvesson & Sköldberg, 2018) which, in addition to supporting analysis of interview material (Alvesson, 2003), keeps me aware of ambiguities of my role in relation to the firm.

PRELIMINARY RESULTS

Preliminary results indicate that managers are faced with complex and contradictory pathways to legitimacy that require new approaches and a readiness to engage with stakeholders at every level of the firm. For example, one possible pathway that is acceptable to some NGOs would entail wrapping up the company's operations in their entirety and compensating communities for harm caused and for development that has not taken place. Preliminary findings further suggest that while international

stakeholders hold significant power towards the firm, achieving their interpretation of social sustainability is dependent on whether that interpretation is shared by the impacted community and implementable in practice by managers in primary sector companies. Context dependent factors, organisational and local history and operational realities play a significant role as do the immediate needs of host communities. For managers, this study suggests that understanding and, as far as possible, integrating with host communities helps achieve a degree of social sustainability, while moderating the ability of some, but not all, stakeholders to affect the operations of the company. This study also suggests that managers in primary sector companies face a constant struggle to demonstrate compliance with outside expectations that are difficult or unreasonable such as achieving universal consent from all community members affected by the proposed project. Also, the case shows that achieving environmental conservation targets, such as low to no deforestation, is relatively easier to approach than social sustainability.

BRIEF DISCUSSION AND CONCLUSION

The situation of this study in the particular context of one plantation company and developing country business environment, while a limitation from some perspectives, is also a central argument in favour of conducting this study. Given that developing country institutional contexts are today composed of a mixture of actors representing both "northern" and "southern" institutional perspectives, this study represents an exploration of collisions and tension between these and those of the oil palm plantation or other investing organisation entering the context from outside. Also, the case represents a situation of multiple interpretations of legitimate action by different actors, leading to both ambiguous outcomes and pathways to legitimacy. For example, in selecting land for development the firm must apply criteria for ecological conservation (e.g. avoiding areas identified as chimpanzee habitats) but cannot always tell communities those reasons in order for conservation to succeed (e.g. host communities may not value chimpanzees). This is contrary to the principle of transparency that is expected of the sustainable and ethical investor.

This study contributes to a more nuanced understanding of the dynamics of organisational legitimacy at the interface of the plantation and communities. While this study is still at an early stage, it aims to

help shine light on what happens within the "black box" of companies beyond the contents of

sustainability reporting and help them and NGOs navigate complex arrangements of legitimacies.

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FIGURE 1:

Simplified Case and Data Timeline
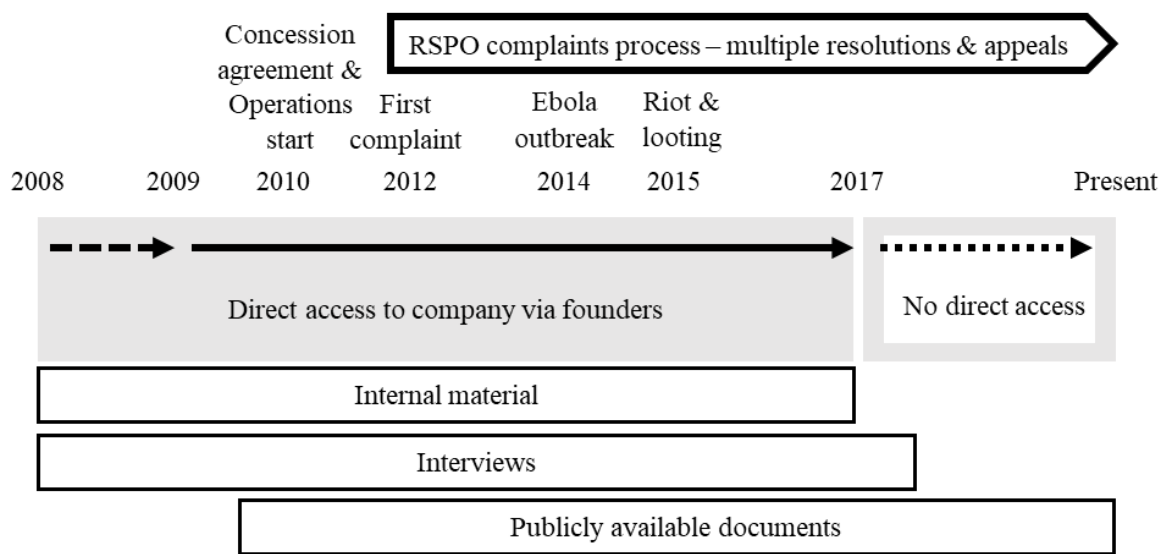
TABLE 2:

Existing Data and Forthcoming Data Collection

Data type	Volume	Coding and analysis status	Description
Interviews	7 so far (Over 10 hours of audio recordings or notes) 3 confirmed with others forthcoming	Transcription in progress	Interviews with founders and senior management team, including sustainability and community affairs managers
Documents	From the RSPO 108 Reports and publications by non-governmental and intergovernmental organisations 12 Company publications and press statements	Preliminary analysis complete	Documents are publicly available via the RSPO, NGO and IGO websites. Includes complaints process documents, reporting documents, announcements and public letters.
Internal material	Over 300 working files as well as numerous emails, and messaging chains	Some preliminary analysis complete. Data needs arranging, focusing and coding	Includes internal material that is in my possession. Further material is available to me through one founder. Material includes correspondence and working drafts of documents.