Master Thesis

Mixed-method Study on the RSPO Adoption in China and Japan: Sense-making and Transnational Issue Control Perspectives

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Number of Page: 117 Number of Characters: 266,700

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MSc. Business, Language and Culture

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Submitted to Copenhagen Business School

May 15, 2020

Abstract

This study seeks to unpack the sustainable palm oil movement in the relatively less studied, albeit increasingly important, market dynamics of China and Japan. It aims to identify the drivers that enable firms to adopt the RSPO certifications as well as the main challenges unique to these markets that obstruct wider uptake. We explore how the RSPO as a foreign multi-stakeholder initiative is perceived in the local contexts, outline how different Chinese and Japanese actors engage in the RSPO's agenda, and offer implications on literature as well as how to advance the sustainable palm oil movement in the two East Asian markets.

In particular, the authors review the literature concerning the RSPO as a multi-stakeholder initiative and how it emerged in the CSR discourse. In addition, we delve into how the concept of CSR and sustainability management are interpreted in the Chinese and Japanese contexts in order to apply in our analytical process. By synthesizing the theories of sense-making, isomorphism, legitimacy, and transnational issue control, we develop a framework for analyzing the organizational and professional actors involved in the transnational governance of sustainable palm oil issues in China and Japan. In total, 19 semi-structural interviews were carried out in Mandarin Chinese, Japanese, and English. To apply thematic analysis, we treated the qualitative data using the structural coding method.

We discovered that motivated issue professionals in the markets leveraged on their expertise and networks to drive the issue of the RSPO in the two markets. Through the sense-making process, professionals brought in new concepts about the RSPO and communicated to organizations in China and Japan. Responsive organizations exert different types of isomorphic pressures inside the industries and associations, resulting in the rise of the RSPO membership in China and Japan.

Contents

Chapter 1

Introduction

In an era of information technology, it has never been easier to spread news, knowledge as well as opinions. Companies around the world are becoming hypersensitive than ever before as they could be criticized from everyone in each corner on Earth at any moment via just a few clicks on the phone. Our daily lives as foreign students studying in Copenhagen have constantly given us the opportunities to observe and contrast how the discussions on heating debates surrounding climate change and sustainability develop in Europe and Asia, in particular, East Asia. What interests us the most is notably the issues related to agricultural commodities supply chains that connect both Asian and European continents.

Having lived in China and Japan, we realized that, in Denmark, consumers' awareness on responsible consumption is a critical factor to alter the production process of almost all companies. Whereas, in the East Asian contexts, this has not yet led to such a scene. To elaborate more, European consumers and civil societies are in general more proactive in pushing companies for changes, upon knowing major environmental problems and human rights violations associated with the production process of products they bought. Thanks to technology improvement and the work of civil society, a high level of consumer awareness on unsustainable production practices is formed and results in the ubiquity of sustainability labels in the European supermarkets. With help from the government sector, some agricultural standards even become institutionalized in Europe.

Take the Roundtable on Sustainable Palm Oil (RSPO) label as an example. In the EU, many western European and Scandinavian countries have established their national commitments to source Certified Sustainable Palm Oil to fulfill the consumer demand on sustainable palm oil production practices (RSPO, n.d.). At the end of 2014, the EU launched new food labeling rules and required companies that use palm oil in their food products to label them with an explicit statement, instead of a vague, generic reference to “vegetable oil” (theGuardian, 2014). European consumers can, therefore, adhere to the ingredient tables on food packaging and make their own decision if they would like to support sustainable palm oil.

In a report published by the Sustainable Trade Initiative (IDH) and the European Palm Oil Alliance (EPOA), researchers believe that European private sector players are stepping up their efforts to make the palm oil supply chain deforestation-free (European Palm Oil Alliance, 2018). In 2017, researchers from the Danish Ministry for Environment and Food and the University of Copenhagen estimated that 65 % of the palm oil imported into Denmark for food is RSPO certified. In 2018, some 83% of the palm oil imported for food in Europe is Certified Sustainable Palm Oil from the RSPO, even though only an estimated 60% is used. A study on the British population shows that consumer awareness of palm oil are fairly high (77%), with 41% of the respondents aware of palm oil and recognizing it as “environmentally unfriendly” (Ostfeld, Howarth, Reiner, & Krasny, 2019). Besides, 71% of European consumers considered living an ethical or sustainable lifestyle salient as it can lead to a feeling of wellness.

Just like many European countries, China and Japan are importers and consumer countries of palm oil. However, seeing from the above facts, the situation in Europe appears to be much more positive for the RSPO to create its impact, than in China and Japan. After noticing the movement of joining the RSPO has recently become a trend in China and Japan, we decided to dedicate our work on the palm oil sector hereafter.

1.1 Research Question

Although there is no concrete data available concerning consumer awareness of RSPO label in Japan, according to a research published by Lim et al. (2019), Japanese consumers have relatively positive recognition of descriptive norm for “purchasing eco-labeled product” yet in general “lack in practical consumption behavior.” Whereas in China, another research conducted in ten Chinese cities by Renmin University of China shows that Chinese consumer’s awareness of RSPO label is around 7.11% (Yan Li & Jin, 2018). The two studies further implies that consumers’ demand on RSPO Certified palm oil exists to a minimal level. Based thereon, in the absence of consumer demand in China and Japan, we wondered how the RSPO gained momentum in the two markets, with more and more companies looking to participate.

As palm oil is such a hidden commodity and most people do not even know anything about it, how did the RSPO become a go-to label for some Chinese and Japanese firms to acquire especially over the past few years? Is there any mechanism behind the surging RSPO member numbers in China and Japan? Could this trend be a result from the local companies’ own value propositions or just another new battle ground for the Western multinationals? Given the limited literature about the RSPO's progress in China and Japan, our study seeks to fill the voids and contribute to the existing knowledge about the markets. We seek to answer the research question: ***How do the Japanese and Chinese companies make sense and engage in the transnational issue control of sustainable palm oil?***

This study takes its point of departure from the case description of China and Japan vis-à-vis the landscape of palm oil sector. In Chapter 2 and 3, we move on to present the literature review and theories to provide an analytical framework for the study. Following a methodology section in Chapter 4 explaining how we conduct this research in real life setting, we lay out in Chapter 5 to showcase the main qualitative and quantitative findings while presenting insights on the RSPO's activities in China and Japan. The discussion in Chapter 6 will reflect our findings on the theoretical framework that we provided previously and hope to offer theoretical as well as practical implications to scholars and practitioners before we conclude the study.

1.2 Case Description: the Chinese and Japanese Palm Oil industry

The RSPO has seen a sharp increase in its members in recent years. According to its first impact report, the number of members stood at 1,631 (RSPO, 2014). However, the latest figure published on the RSPO homepage (dated 31 March 2020) boasts 4,745 members (RSPO, n.d.) – almost three-fold increase compared to the year 2014. Partially contributing to the surge are the Chinese and Japanese members. We consider these two markets to be especially interesting for our investigation as there are few works of literature on the RSPO in the two countries. China had 13 members in 2014 and has grown to 149 members at the time of writing. Japan also grew tremendously from 23 to 198 members during the same period. Japan is currently ranked no. 6th as the country with most RSPO members (RSPO, n.d.). Given that both countries have ramped up their imports of oil palm products in the past few years (see Table 5.1), we consider this to be a positive trend.

China has always been considered as a consumer market for palm oil (UNDP China, 2020) and will very much likely remain so, given its large population of over 1.3 billion people and its geographical location. In the 1990s and early 2000s, palm oil import volumes stood at around 2 million tons annually and steadily increased until 2012. From 2013 to 2017, however, China's palm oil imports did not yield any significant growth, mainly due to the release of rapeseed oil from its reserves and high crude palm oil prices in the global market (The Edge Financial Daily, 2017). However, in 2018, China once again picked up from its previous momentum and, according to the USDA Foreign Agricultural Service (USDA), the country imported more than 6.5 million tons of palm oil in 2019 (Soley, 2019).

As of April 2020, the Chinese market remains the fourth largest consumer of palm oil and ranks as the third-largest importer in the world. Following India and the EU, China is estimated to import about 6.9 million tons of palm oil in 2020, accounting for 13.8% of global palm oil imports, with palm kernel oil also remaining at around 10% of its total oil palm-related imports (the USDA, 2020). The trend is set to continue as China is turning away from soybean oil to palm oil as a cheaper substitute (Chain Reaction Research, 2019). The trade disputes between the US and China have also contributed to accelerating this shift, as China sees less soybean import from the US (Xiao, 2019; Chain Reaction Research, 2019).

China's palm oil trading sector is highly-concentrated. The top two players are Yihai Kerry and Cargill, who are also the RSPO members already since the beginning of the roundtable (UNDP China, 2020). Yihai Kerry is a subsidiary of Wilmar, a listed Singaporean agribusiness conglomerate, and has long been a leading consumer pack edible oils producer, oilseeds crusher, edible oils refiner, as well as specialty fats and oleochemicals manufacturer in China (RSPO, n.d.). Similarly, Cargill is a privately held American corporation, whose diverse business in China can be traced back to the early 1970s and covers grain and oilseed supply chain, animal nutrition, edible oils solutions, just to name a few (Cargill China, n.d.).

The manufacturing and retailing sectors in China have more than 5,000 companies as the end-users of palm oil. In 2015, the consumption of palm oil in the food industry accounts for 75% of the nation's total palm oil consumption, and another 15% consumed for daily-used chemicals, such as those used in cosmetics, cleaning products, and biofuel (UNDP China, 2020). Imported palm oil is mostly consumed domestically and primarily in the food industry, either as a cooking oil or an ingredient for processed food, with the instant noodles sector the top user of the commodity (UNDP China, 2020).

Japan, although not as large in population size, wields much influence when it comes to oil palm product consumption. One of the main reasons is, Japanese food, cosmetic, and toiletry brands are trusted and sold across the world, especially in the Asian region. Even though the Japanese population is shrinking, the rise in buying power of the middle class in many Asian countries, like China and Southeast Asia, has contributed to the growth in the Japanese food and cosmetic industries both within Japan and overseas. The data collected by the Ministry of Economy, Trade and Industry of Japan has shown that the cosmetic industry has grown seven consecutive years from 2012 to 2019 (World Business Magazine, 2019). Among the players in the industry, powerful brands competing at the international level are Shiseido, Kao, and Kose – all of which the RSPO's members.

However, 80% of palm oil in Japan is used as an ingredient in processed foods (Borneo Conservation Trust Japan, 2016). The food industry also sees a positive trend as Japan welcomes more tourists who help boost domestic consumption (The Japan Food Journal, 2020). Moreover,

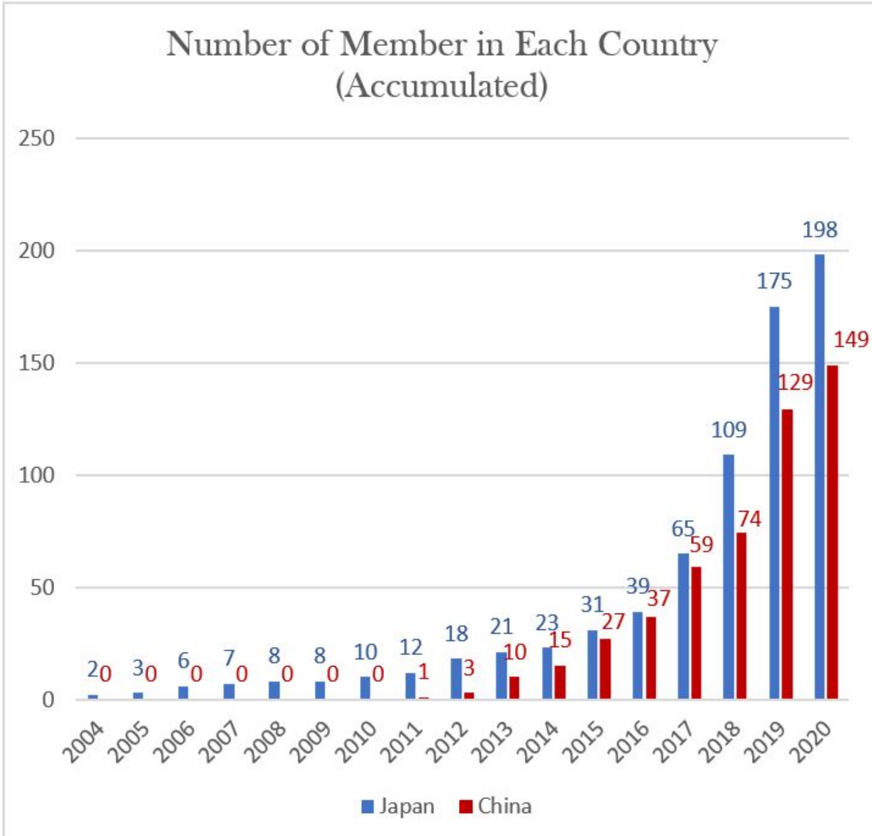
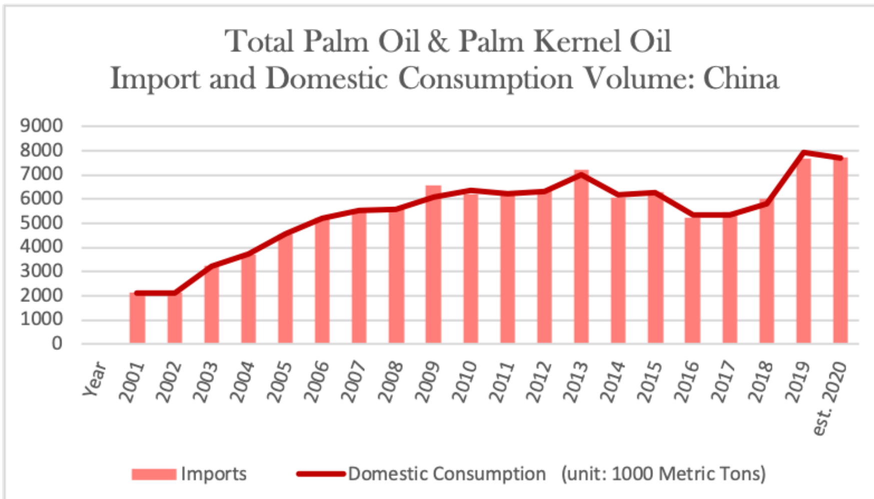


Figure 1.1: Number of member in China and Japan (accumulated)
Source: RSPO Member (as of May 1st, 2020)

on the report of the biggest trading houses in Japan, Mitsubishi Corporation, the trend of domestic palm oil use in Japan is upward. This is due to the shift in Japanese nationals' consumption behavior, from preparing food at home to relying more on processed foods sold in the supermarket and convenience stores (Palm Oil TV, 2018). According to the Annual Communication of Progress (ACOP) data consolidated by the RSPO, the Japanese consumer goods manufacturer (CGM) members alone use nearly 660,000 tonnes of palm oil and oil palm products and ingredients for their products marketed domestically and across the globe in 2018(RSPO, 2018). As for the import into Japan, the volume has risen gradually every year and reached approximately 782,000 tonnes in 2019 (USDA, 2020).

Although we are aware that both countries are also using palm oil as part of their biofuel sources, our focus is on the pressures to adopt the RSPO put on consumer-facing firms. Therefore, we intentionally exclude the energy sector from the scope of our study.



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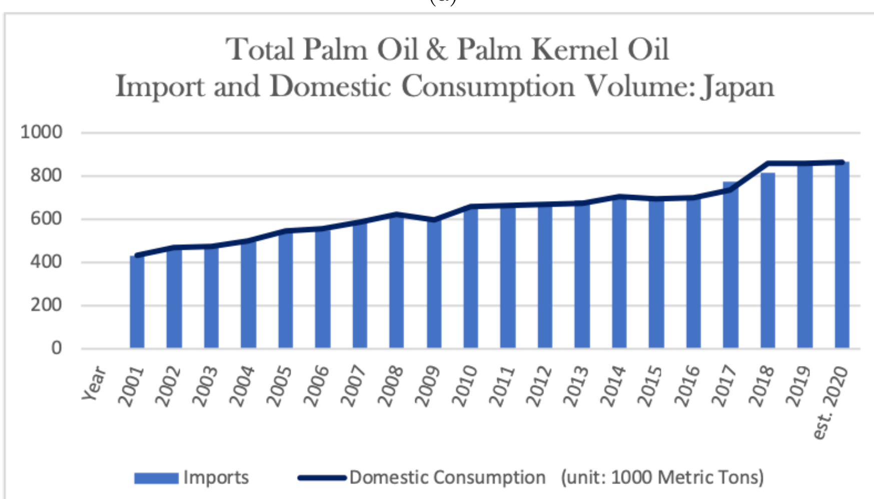


(b)

Figure 1.2: Total Palm oil and Palm Kernel oil Import and Domestic Consumption volume by country
Source: United States Department of Agriculture - Foreign Agricultural Service (2020)

Chapter 2

Literature Review

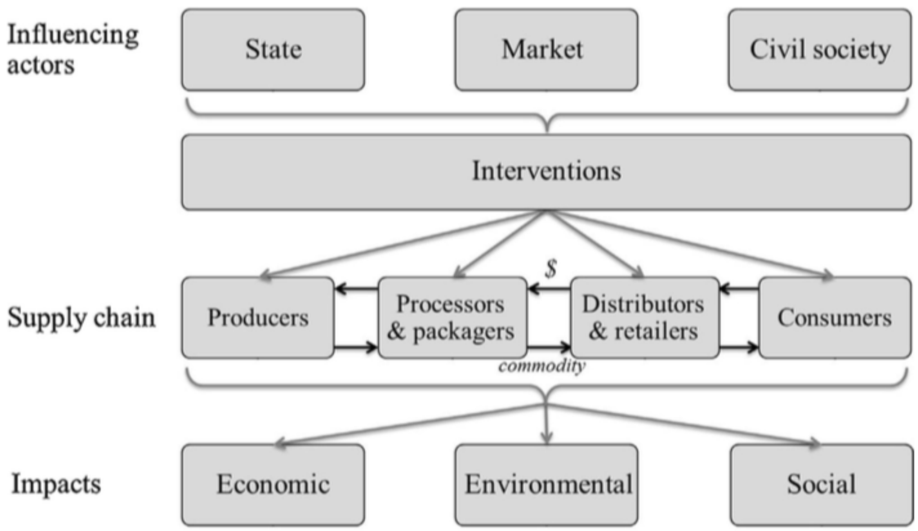
In approaching the research question of how Chinese and Japanese firms make sense and engage in the transnational issue control of sustainable palm oil, this review aims to provide an overview for studying the RSPO and its development throughout history by discussing extant literature.

In specific, we will provide an overview on the palm oil commodity roundtable as an intervention – the RSPO. Further, we move back to reason why purely relying private sector governance to achieve sustainable development is insufficient and what leads to the birth of multi-stakeholder initiatives from inception. The last two subsections in this chapter will dedicate to provide an insight on how CSR activities are perceived in China and Japan, so that readers can grasp an idea of how the RSPO is perceived in the Chinese and Japanese contexts.

2.1 Creating Interventions in Agricultural Commodity Supply Chains

Although oil palm is a highly productive crop and palm oil production can generate incomes for smallholders, the cultivation of oil palm is associated with high rates of deforestation in tropical countries. The commodity supply chain intervention in forest-agriculture landscapes is, therefore, a fundamental nature conservation and social development challenge. According to Newton et. al (2013), the market, state, and civil society are the three influencing actors, who creates different interventions in the forms of *institutions and policies*, *incentives*, or *information and technology*, to ensure sustainability in agricultural commodity supply chains.

Institutions and policies typically include measures such as forest policy, agricultural policy, cross-sectoral coordination, or commodity moratoria, to name a few. Payments for environmen-



A framework for analyzing the opportunities for actors to influence commodity supply chains through interventions.

Figure 2.1: A framework for analyzing the opportunities for actors to influence commodity supply chains through interventions
Source: Newton et al. (2013)

tal services, commodity standards and certification, as well as taxes and trade benefits, are three incentives commonly-recognized in the market and require support from civil society and the state. The RSPO is for instance an incentive to change producers' behavior so that rainforests could be preserved. Information and technology can allow supply chain actors to raise awareness and mobilize boycott activities or scrutinize firms' corporate social responsibility activities (Newton et al., 2013).

When exercising one of the three main forms of interventions, multi-stakeholder collaborations are usually involved in the process. Interventions can create the impact generally via two approaches: directly exert the intervention on producers or indirectly affect the decision-making process of consumers, retailers and processors (Newton et al., 2013). As agricultural commodity cultivation is sensitive to changes in market's supply and demand, interventions that affect one or more actors within supply chains have the potential to exert greater power on the production of the commodities.

Believing to be one of the most successful commodity roundtable, we will

2.2 The Establishment of the RSPO

Within MSIs, the Roundtable on Sustainable Palm Oil (RSPO) is one of the most prominent as well as the most controversial ones (Pichler, 2013; Ruysschaert, Carter, & Cheyns, 2019). A few scholars suggest that the attention towards sustainability of palm oil production was largely triggered by the forest fires on Sumatra island of Indonesia in 1997 (Nesadurai, 2018; Pye, 2010). Indonesia and Malaysia alone feed around 90% of the world's need for palm oil (Pichler, 2013; Nesadurai, 2018), and the cultivation of which brings about various environmental and social issues (Oosterveer, 2015).

Oil palm originated from Africa, but now cultivated in regions near the equator around the world. The cultivation is most concentrated in Indonesia and Malaysia, enabling the above mentioned export. Palm oil is found in many of the products we consume daily, such as margarine, cereals, chips, instant noodles, bakery, or by itself as cooking oil. It is also an important ingredients in hygiene products such as soaps and various washing detergents (RSPO, 2014). One reason why palm oil is so widely used is because oil palm is highly productive, producing almost 4 tonnes of oil per hectare. In comparison, rapeseed, sunflower and soybean yield only 0.4 to 0.6 tonnes per hectare of land used for the cultivation of the crops (RSPO, 2014).

Another reason why palm oil is popular in many industries is due to its versatility, as it can be processed into different consistencies for different purposes (Tullis, 2019). Palm oil became popular in food products thanks to Unilever. In 1995, the company found palm oil to be a perfect replacement for hydrogenated vegetable oil it was using for margarine due to its trans-fat free property and the quality of staying solid at room temperature. The industry has never tuned back since (Tullis, 2019). Around the same time, the public started to call for *natural* ingredients in their personal care products. Plant oils were perceived to be more so than animal fats at that time, which also triggered a major shift to using palm oil in personal care product industry (Tullis, 2019).

For the reasons above, palm oil demand has only been increasing. As the world's population is expected to grow higher, it is not likely that the need for palm oil will drop in the near future. However, the extensive use of the palm oil comes with a cost. The cultivation of the crop is the source of yearly smog that travels through Indonesia, Malaysia and Singapore (Nesadurai, 2018), generated from the slash-and-burn practice common in Southeast Asia (Cazzolla Gatti, Liang, Velichevskaya, & Zhou, 2019). Additionally, it is also the main motive behind deforestation and the clearing of peat lands, which makes the land ever more prone to fires (Nesadurai, 2018). The fires, in turn, release the carbon dioxide stored in the organic matter and speed up the global warming process (Jaenicke, Rieley, Mott, Kimman, & Siegert, 2008).

Deforestation in the tropical areas also threatens the ecosystems, both regional and world-wide(Cazzolla Gatti et al., 2019). Many conservation organizations such as Greenpeace and Friends of the Earth (FOE) use orangutans, one of the most heavily endangered species as a result of palm oil plantation, to call attention to their campaigns against the industry. One of the most recognizable and widespread campaign videos are 'Rang-tan', a 90 seconds animation about an orangutan who appears in a girl's bedroom. The video was produced by Greenpeace which has later been translated into many languages including French, Indonesian and Japanese, just to name a few. Another renowned video was against Nestlé's Kit Kat chocolate bar, depicting an office worker opened a package of Kit Kat to find an orangutan's finger – also Greenpeace's creation.

Apart from the ecological aspect of the palm oil plantation, many NGOs have also given attention to the social aspect of it(Pye, 2010). The indigenous people, workers and smallholders in oil palm plantations, are menaced by the presence of larger companies (Cheyns, 2014). The indigenous people's land rights are violated due to need of land for plantations(Pichler, 2013). The workers are not receiving adequate wage and working conditions(Wong, 2015; Pye, 2010), and the smallholders cannot keep up with the competitive prices set by bigger corporations(Pye, 2010).

As a response to the demand for more sustainable palm oil, Worldwide Fund for Nature (WWF) begun the feasibility study process that led to the founding of the RSPO in 2001 (RSPO, 2011). In 2002, WWF gathered a group of early members in the form of informal partnership among stakeholders of the palm oil supply chain(Kruuse et al., 2019), which includes Aarhus United UK Ltd, Golden Hope Plantations Berhad, Migros, Malaysian Palm Oil Association, Sainsbury's and Unilever (RSPO, 2011).In the same year, after having decided to adopt a roundtable format to create a space for business and non-business stakeholders to collaboratively develop the agenda for sustainable palm oil, WWF called for more supporters(Kruuse et al., 2019).

The process led to two preliminary meetings among 16 European constituencies (Kruuse et al., 2019) in 2002 which were held in London, England; and Gland, Switzerland (RSPO, 2011). The meetings were aimed at gathering wider support and agreeing on initial goals, organizational structure and execution plans (Kruuse et al., 2019). In the following year, an inaugural meeting was held in Malaysia, where 200 participants from 16 countries congregated and adopted a non-legally binding Statement of Intent (SOI) to show their support for the RSPO (RSPO, n.d.). Subsequently, the RSPO was formally established in April, 2004. The organization is registered in Zurich, Switzerland under Article 60 of the Swiss Civil Code (RSPO, 2011). It also has a secretariat office in Kuala Lumpur, Malaysia and a liaison office in Jakarta, Indonesia (RSPO, 2011; Nesadurai, 2018).

The RSPO's main agenda is to promote sustainable palm oil production that it believes will help decrease the negative impact on the environment and the society (RSPO, 2011, n.d.-b). Its vision is to 'transform markets to make sustainable palm oil the norm'(RSPO, n.d.). The objectives focus on lessening deforestation, sustaining biodiversity, and ensuring the fundamental rights and living conditions of those who are engaged or related to the palm oil cultivation, especially the workers, smallholders, and indigenous people (RSPO, 2011). The RSPO assures that these objectives are realized through its certification schemes. The RSPO has a set of environmental and social criteria called the Principles and Criteria (P&C) which growers and firms must comply with in order to produce Certified Sustainable Palm Oil (CSPO) (RSPO, 2019). Buyers who have been assessed to meet the RSPO's P&C can purchase palm oil from the certified suppliers and claim the uptake of certified oil (RSPO, n.d.-b).

2.3 Governing the RSPO

To understand the governing mechanism of the RSPO, one should start by looking at how the organization is structured internally and how it presents itself externally. Launched as a not-for-profit organization (NPO), RSPO brings together stakeholders from seven sectors of the palm oil industry from the outset, including oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, environmental/nature conservation non-governmental organizations (NGOs), and social/development NGOs (RSPO, 2020).

The governance structure and decision-making processes are constructed in the Executive Board and General Assembly of the RSPO, governed by Swiss Law (RSPO, n.d.). The Board of Governors (the Executive Board) is comprised of 16 members, designated by the General Assembly for two years: 4 seats for Oil Palm Growers, 2 seats for Palm Oil Processors and/or Traders, 2 seats for Consumer Goods Manufacturers, 2 seats for Retailers, 2 seats for Banks and/or Investors, 2 seats for Environmental and/or Nature conservation NGOs, and 2 seats for Social and/or Development NGOs (RSPO, n.d.).

The RSPO Secretariat facilitates the daily operation of the RSPO and support the activities for the Board of Governors (the Executive Board). It consists of staffs carrying out five core activities: 1) conduct research and development of definitions and criteria for the sustainable production and use of palm oil 2) undertake practical projects designed to facilitate the implementation of sustainable best practices 3) develop solutions to practical problems related to the adoption and verification of best practices for plantation establishment and management, procurement, trade and logistics 4) acquire financial resources from private and public funds to finance the RSPO projects 5) communicate the Roundtable's work to all stakeholders and a broader public (RSPO, n.d.).

The General Assembly is the highest decision-making organ in the RSPO, where all members meet annually and each of them has one vote to make their decisions of general policies and elect the members of the Executive Board within their membership sector through simple majority voting system (Schouten & Glasbergen, 2012; RSPO, n.d.). RSPO membership categories divide members into three main groups: ordinary members, associate members, and affiliated members, depending on the amount of palm oil produced, processed, or consumed and whether or not they are directly involved in the palm oil supply chains (RSPO memberships, 2019). Only ordinary members have one voting rights in the annual General Assembly (RSPO, n.d.). Each ordinary member corresponds to one of the seven sectors in the palm oil industry and can select Executive board members in their respective sectors to represent them in the board meeting(RSPO, n.d.).

The RSPO has “8 Principles and Criteria” and 2 certification systems. On the one hand, to make sure palm oil is produced sustainably, the RSPO only issues “Principles Criteria (PC) certification” to producers when producers pass the third-party certification audits conducted by accredited certification bodies (CB). On the other hand, to guarantee that palm oil sold as “sustainable palm oil” has indeed been sourced from RSPO certified plantations, the RSPO also work with third-party auditors to issue supply chain certification standard (SCCS) for organizations seeking or holding the RSPO certifications (RSPO, 2019a).

According to Ponte (2014), the term “roundtable” exemplifies a governing process of the multi-stakeholder initiative, when it tries to include more voices and provide members equal standing at the table of negotiations, thus raising higher expectations considering accountability, transparency, inclusiveness, and appropriate democratic decision-making process. Outside of its core function, the RSPO governs its stakeholders’ activities through information, in the form of traceability (Mol & Oosterveer, 2015). This is done in a decentralized manner while information is being processed by different actors through collection, tracking, disclosure, interpretation and validation activities (Mol & Oosterveer, 2015). The RSPO approves the use of all major models of traceability: identity preserved, segregation, mass balance, and book and claim (RSPO, 2020).

Identity Preserved

Identity Preserved (IP) products are can be tracked all the way to the producer (Mol & Oosterveer, 2015). In the case of RSPO certified palm oil, the Identity Preserved products can be traced back to the IP mill. In order to claim IP, all actors within the supply chain must ensure that the products are kept separated from all other sources, certified or non-certified, throughout the supply chain (RSPO, 2020). The IP process involves high costs, as special care is needed during shipping, monitoring, reporting and authentication (Mol & Oosterveer, 2015). The high-maintenance nature of IP can prohibit some players from participating in this model as it requires high level of supply chain management (Kruuse et al., 2019). Therefore, the IP is only employed when there is an explicit demand from customers and compensation for the costs is secured (Mol & Oosterveer, 2015).

Segregated

The Segregated (SG) model allows supply chain actors to mix certified products from various sources (Mol & Oosterveer, 2015). Likewise, under the RSPO's SG supply chain model, the oil palm products can be mixed from various sources as long as they are all RSPO-certified (RSPO, 2020). The product cannot be traced back to a single mill but to a list if certified mills (RSPO, 2020). While ensuring that only certified oil palm products are used in the end goods, this model is more cost competitive than the IP model as sellers and buyers can reap the benefit of economies of scale (Mol & Oosterveer, 2015).

Mass Balance

The Mass Balance (MB) option drives cost even lower, as it permits the mix of certified and non-certified products, enabling full logistics efficiency and requiring less monitoring (Mol & Oosterveer, 2015). Although physical segregation is not needed, the amount of certified product produced has to match the amount of certified product sold at the end of the supply chain (Mol & Oosterveer, 2015). The RSPO adopted this method in 2008 (Ruysschaert et al., 2019). Through the RSPO MB model, oil palm products certified may or may not be mixed in the end product. The product origin can only be traced to a group of RSPO certified mills (RSPO, 2020) which only contribute to part of the palm oil used in the end product.

Book and Claim

The Book and Claim (BC) model detach the produce from the certified product entirely (Mol & Oosterveer, 2015). Under this model, the growers can registersub their sustainably produced product on a trading platform as certificates. The buyers , in turn, buy the certificates to offset the conventional material used in their final product (Mol & Oosterveer, 2015). The RSPO endorsed this method for certified palm oils at the same time as the MB model (Ruysschaert et al., 2019), and the trading activities are done through the GreenPalm platform (Mol & Oosterveer, 2015). The BC model is highly cost-efficient as complexities from supply chain management are no longer relevant (Mol & Oosterveer, 2015). The added cost to procure physical supplies of sustainable palm oil is 30 - 70 dollars per ton, while the BC offer a certification at a minimal price of around 4 dollars per ton (Ruysschaert et al., 2019).

The BC model offers a more affordable way to obtain certification, not only for buyers, but also for small scale growers as administrative costs are minimal (Kruuse et al., 2019). This helps accelerate the expansion of sustainably produced palm oil. However, due to decreased transparency as sustainable produce is no longer traceable under the model, consumer-facing firms find the BC too risky for the firms' reputation and gradually shift towards procuring physical sustainable supply (Kruuse et al., 2019).

2.4 Criticisms against the RSPO

The RSPO faces many complex challenges in materializing its sustainability objectives (Oosterveer, 2015). Nesadurai (2018) argues that three factors contribute to the RSPO's unavailingness: 1) its MSI governance and marketing model; 2) strong local support on exploitation of resources for palm cultivation; and 3) inadequate downstream demand for sustainable palm oil. The contingency led the European Parliament to point out its doubt towards the organization's environmental and social integrity in its non-binding resolution on palm oil and deforestation of rainforests issued in April, 2017 (European Parliament, 2017).

On the ecological front, despite the RSPO efforts, deforestation persists and biodiversity loss continues (Ruysschaert et al., 2019). Cazzolla Gatti et al.(2019) argue that RSPO certified concessions have had more trees removed than ordinary ones. In fact, they have found by gathering data from various sources that the RSPO certified concessions lost around 40% of trees over the period of 15 years from 2001 to 2016, while non-certified concession lost slightly less than 35%. To get certified, growers must assess that the land does not have high conservation values (HCV) or covers high carbon stock (HCS) areas prior to cultivation (RSPO, 2018). This implies that land clearance before the assessment is possible. Further, the assessment is not entirely objective (Ruysschaert & Salles, 2016). Cazzolla Gatti et al.(2019) suggest that this may be the cause of major deforestation in what is now RSPO certified areas between 2004 and 2006, after the RSPO was founded and before it took effect, and conclude that the certification does not necessarily lead to less deforestation (Cazzolla Gatti et al., 2019; Ruysschaert & Salles, 2016).

The RSPO is also criticized to be mainly benefiting large-scale organizations and leaving less monetarily powerful stakeholders, such as some NGOs and smallholders impotent. (Pichler, 2013; Ruysschaert & Salles, 2016; Nesadurai, 2018; Ruysschaert et al., 2019) The inequality derives partly from the initial structural design in the early stage of the RSPO, which was largely dictated by downstream companies, allowing them to secure their influence over the institution as a whole (Ruysschaert et al., 2019). The situation worsens as downstream firms' ordinary memberships increase at much faster rate than growers and NGOs. Between July 2017 and May 2018, the former increased by more than 100 and the latter by 4 (Ruysschaert et al., 2019).

Furthermore, the discourse within the RSPO is predominantly capitalistic, thus social NGOs whose concerns are mainly about social welfare are are effectively excluded (Oosterveer, 2015;

Ruysschaert & Salles, 2016). According to Ruysschaert et al., (2019) direct voicing by smallholders and local community members can also be 'discredited', when they bring up the topic on interdependencies within the territory between humans, the environment and cultural artefacts. Some smallholders are dismissed in the discussion for being too 'emotional' in their narratives, which are deemed harsh and unfit for the RSPO assembly (Cheyns, 2014). Not equally respecting the voices of NGOs, local communities and smallholders is counter-intuitive, as their interests are the crucial for long-term sustainability of the palm oil industry (Ruysschaert & Salles, 2016).

Another factor that prevent smallholders and NGOs from being able to participate in the RSPO are the high membership fees. The most recent RSPO membership rules at the time of writing, endorsed by the Board of Governors in March 2017, indicates that all ordinary members, except for smallholders with less than 2,000 hectres of plantation, pay the same fee of 2,000 euros annually (RSPO, 2017). With a minimum of 50 dollars added fixed certification cost for every ton palm oil produced, the hurdle is already too high for small scale farmers to reach, let alone other recurring administrative costs (Pichler, 2013; Kruuse et al., 2019; Ruysschaert et al., 2019).

What contributes to more problems under the RSPO scheme is the need for supply chain segregation for the physical supply of the Certified Sustainable Palm Oil (CSPO) (Kruuse et al., 2019), and the voluntary participation. This means that the fixed cost is higher while the demand is not guaranteed. The combination creates problems for both large and small scale players. Together with the factors explained earlier, getting certified as a CSPO producer and handler entails higher costs, which discourages suppliers. Smaller scale users find it a big challenge to find suppliers who are willing to get the certification when their purchase volumes are not large enough (Kruuse et al., 2019). For growers who have overcome the costs of getting certified, the uptake of CSPO has been reported to be low due to limited demand. Although the membership number has been growing, the RSPO does not make the purchase of CSPO mandatory, resulting in merely 40% uptake of CSPO in 2011 (Pichler, 2013) and 45% in 2018 (Ruysschaert et al., 2019). This forces producers to sell most of their CSPO in the same market as non-certified oil (Ruysschaert et al., 2019). On the user end, downstream firms who are committed to buying CSPO find it difficult to source reasonably priced supplies (Kruuse et al., 2019), resulting in a lose-lose situation for both seller and buyer of the CSPO.

It is also noteworthy that the RSPO is heavily shaped by the Western markets, especially the European one (Hospes, 2014), given that the founding of the RSPO was initially discussed among European constituents. The RSPO made the effort to gain legitimacy by including Asian stakeholders very early in its formation (Nikoloyuk, Burns, & de Man, 2010; Hospes, 2014; Kruuse et al., 2019), with WWF and Unilever taking a central role in persuading Asian growers and palm oil associations (Nesadurai, 2018). As a result, the association of Indonesian palm oil plantation companies (GAPKI) was chosen as one of the 16 Executive Board members to represent the Indonesian producers (Hospes, 2014).

However, GAPKI left the RSPO in 2011 after a long period of exposure to pressure. The secretary general of GAPKI commented following the walk-out that the RSPO had not been fair towards producers, let alone smallholders, and driven primarily by European interests (Hospes, 2014). Almost a decade after the incident, equal representation of stakeholders in the RSPO is far from reality. Almost half of the members, comprising downstream firms and NGOs, are headquartered in Europe as of 2018, with Germany, the Netherlands and the UK accounting for 21% (Ruysschaert et al., 2019). This raises the question whether the RSPO will ever be able to realize its goal of being truly inclusive - the fundamental element needed for a genuinely sustainable solution.

Although the ineffectiveness of the Principles and Criteria to reduce deforestation and power imbalance remain problems within the RSPO, it is still the most successful model to address sustainability challenges in the supply chain of commodity thanks to its multi-stakeholders format(Nikoloyuk et al., 2010). Compared to the economic or authoritative means which rely on the people in power to initiate change, the RSPO is significantly contributing to the positive shift of norms as related actors can participate and contribute towards positive changes on the ground (Nikoloyuk et al., 2010; Oosterveer, 2015; Nesadurai, 2018).

Additionally, the emergence of the RSPO also led to more rigorous initiatives such as the Palm Oil Innovation Group (POIG). Founded in 2013, the POIG is a group of RSPO critics, most of whom RSPO members (Nesadurai, 2018), which introduces additional requirements on top of the RSPO's P&C to achieve higher conservation standards (Palm Oil Innovation Group, n.d.). Another example is Nestlé, who started committing to sourcing sustainable palm oil as a reaction to Greenpeace campaign. Today, on top of using RSPO certified palm oil, the company is also ensuring transparency of its supply chain through internal management (Kruuse et al., 2019).

2.5 Corporate Social Responsibility

Since the economic liberalization spread globally in the 1980s, the traditional "command and control" regulations set up by public authorities in the 1960s and 1970s are *perceived* as inadequate and ineffective to regulate the increasing transnational business activities on the basis of bounded jurisdiction (Utting, 2002; Ponte, 2014). This reality is mainly due to the arrival of new communication technologies and improvements on transportation infrastructure, which have gradually made it possible for big brands and retailers from the Global North to source and profit from countries in Asia, Africa, and Latin America (Haufler, 2001). Consequently, the shift on globalized production and consumption processes has deepened the studies on supply chain management (SCM), global commodity chains (GCCs), global value chains (GVCs) and global production networks (GPNs) in the management literature (Bush, Oosterveer, Bailey, & Mol, 2014), which later on allow the conceptualization of sustainability governance incorporated into their analytical frameworks. In the meantime, it has also made *corporate social responsibility* (CSR), *corporate citizenship*, and *partnership* become buzzwords in the international development discourse (Utting, 2005).

According to Montiel (2008), most of the references to Corporate Social Responsibility (CSR) appeared in top-tier management journals during the 1970s and 1980s. However, definitions from the business-oriented literature often suffer from several weaknesses, as they are mostly formulated from the viewpoint of corporate managers and frequently universalize the experience of firms operating in North American or Western European countries. These definitions and analytical perspectives, however, when applied to understand what CSR could mean for the less-privileged in developing countries, do nothing to encourage examination of "the complexity of multi-layered, structurally rooted problems of the role of business within them" (p.511) (Blowfield & Frynas, 2005). As a result, international development scholars start exploring CSR dynamics in the developing world and challenging whether CSR-related business activities in the Global South are indeed operating in ways that can improve the livelihoods of its intended beneficiaries in terms of the "triple bottom line" challenges of economic, social, and environmental upgrading" (Kaplinsky & Morris, n.d.). From this perspective, we use Blowfield and Frynas' (2005) definition of CSR and view it as "an umbrella term for a variety of theories and practices that each recognize the following: (a) that companies have a responsibility for their impact on society and the natural environment; sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behavior of others with whom they do business, for instance, within supply chains; and (c) that business needs to manage its relationship with wider society, be that for reasons of commercial viability or to add value to society" (p.503).

In the early days, international companies bought in the concept of CSR through implementing corporate codes of conduct, welcoming private auditing, and following ethical guidelines voluntarily, in order to avoid being attacked by non-governmental organizations (NGOs) and civil society organizations (CSOs) and suffering from the naming and shaming campaigns as well as consumer boycotts for the negative externalities they created (Locke, Amengual, & Mangla, 2009). However, the limits of the unilaterally designed codes of conduct and self-regulatory initiatives became apparent in the mid-1990s (Utting, 2002). Criticism surrounding private governance prevails, as more and more news on social injustice, environmental degradation, and human rights violations are reported in the Global South contexts. A counter-discourse is justified, such as what recently described CSR as part of the wider historical project of Western imperialism when code compliance in fact poses an unacceptable economic burden on local suppliers in the developing countries (Rafi Khan & Lund-Thomsen, 2011).

2.6 Multi-Stakeholder Initiative

Socially and environmentally responsible activities are regarded as being biased and ineffective in many private settings. In response, more diverse forms of regulation, as well as standards and certification schemes, were launched and had shifted the CSR agenda toward an emphasis on co-regulatory arrangements. This alternative approach promises the involvement of civil regulations that seek to complement state regulations on business activities (Amengual, 2010; Murphy & Bendell, 1999). Furthermore, some of these hybrid arrangements are even intentionally non-governmental, as they try to limit short-sighted governments to continue current malpractices by excluding them in the transnational governance processes.

In hindsight, we can observe a clear trend that many private sector players are reacting proactively to forge and disseminate their CSR agenda through entering various collaborative CSR initiatives with NGOs, trade unions, academic centers, governments, and other multilateral organizations (Utting, 2005). The explosion of inter-sectoral partnerships merges with the sustainability agenda rooted in the European and global political contexts, for instance, the UN Millennium Development Goals or Sustainable Development Goals, as these institutional forms slowly become a mainstream (Ponte, 2019). With civil society engagement in CSR issues intensified, one of these diverse settings characterized as the multi-stakeholder initiatives (MSIs) started taking off as a dominant hybrid regulatory approaches in the late 1990s (Utting, 2002).

By their very nature, multi-stakeholder initiatives attempt to gain legitimacy as a non-state actor (Bernstein, 2011; Dingwerth, 2007; Schouten & Glasbergen, 2012; Mena & Palazzo, 2012) and, to a large extent, build on a soft law approach (Kerwer, 2005), which does not create legally binding obligations, but rather derives its normative power through recognition of social expectations (Ruggie, 2007). As a result, MSIs frequently produce rules under the form of standards and expect companies to comply as well as apply for certifications and approvals (Waddock, 2008). The rule of thumb in an MSI is to coordinate a balanced representation of and participation by all categories of stakeholders in the production and consumption ecosystem based on trust and collaborative advantage, and thus seeks to foster the sharing of knowledge and expertise among one another (Schouten & Glasbergen, 2011a). Consequently, a typical MSI would bring into decision-making processes a broader range of actors, including but not limited to corporations, NGOs, multilateral organizations, academia, labor unions, consumer associations, environmentalists, and local communities (Utting, 2005). Based thereon, these actors can define rules of proper resource management (Turcotte & Pasquero, 2001) and induce more responsible production and consumption practices together (Utting, 2002).

Stakeholder theories (Freeman, 2015; Mitchell, Agle, & Wood, 1997) and GVC governance researchers (Humphrey & Schmitz, 2000; Gereffi, Humphrey, & Sturgeon, 2005; Gereffi & Lee, 2016) suggested that multinational corporations should strategically respond to concerns arising from end consumers and actors in developing countries more generally since failing to do so might harm the long-term reputation and profitability of the companies in the globalized world. For those who adapt to and keep up with these new trends and standards, "good practice" could enhance competitive advantage by reducing costs from eco-efficiency, increasing staff motivation, gaining endorsement from consumers, and boosting competent management and innovations, to name a few (Utting, 2005).

For firms, MSIs carve out space and encourage them to participate in activities that set standards, oversee compliance, advocate social and environmental reporting and auditing, certify good practices, promote stakeholder dialogue, and generate learnings (Utting, 2005). On the one hand, some MSIs still choose to stay with the more short-term, compliance-based model, which focuses on enforcing standardized codes of conduct and third-party accreditation. On the other hand, some are moving step by step to embrace the cooperative-based model, with local industries and clusters simultaneously generating collective responses to build long-term relationships with the suppliers and foster social and environmental upgrading in the global production networks (Lund-Thomsen & Nadvi, n.d.; Lund-Thomsen & Lindgreen, 2014; Ponte, 2019). Depending on the extent to which civil society organizations in MSIs are relying on businesses due to funding ties, their strategies will likely be affected, in that they are, to some extent, partnering with firms in these MSIs. In contrast, NGOs pursuing litigation against firms (Newell, 2001) or CSOs actively mobilizing consumers, while they has a role to play in promoting positive and responsible corporate practices, might turn out to create obstacles for the MSI to reach the common end goal on sustainability governance altogether. Therefore, how to strike a balance in this power play is essential for the members in the MSIs to figure out. For this paper, we define sustainability governance as the cumulative efforts by actors from the state, market, and civil society to address social and environmental challenges.

Looking at the burgeoning private and hybrid authority literature, we can see that many studies on multi-stakeholder initiatives are exploring the transnational sustainability issues in agri-food industries. Take the domain of sustainable palm oil and sustainable forestry for example. Configurations on partnerships, including "sustainability roundtables" and "stewardship councils" took the form of institutionalized interactive platforms (Huijstee, Francken, & Leroy, 2007) and created several 'must have' institutional features and procedural components, such as voluntary standards, certifications, and labels, for MSIs to gain input legitimacy (Kruuse et al., 2019) in order to fend off possible criticism and promote their promises to potential users of certifications and labels (Ponte, 2014; Cheyns, 2014; Silva-Castañeda, 2012).

Corporate Social Responsibility in China

As explored by many scholars, the main drivers behind the emerging CSR movement in China could be briefly classified into to two reasons: domestic political will and international pressure (Tan-Mullins & Hofman, 2014). In the early stage of Chinese socioeconomic transformation, multinational corporations in export industries, such as apparel and electronics, exert their buying power through supply chain codes of conduct to push the CSR movement. However, as time goes by and the Chinese society gets wealthier, CSR is now a mainstream corporate activity, particularly among SOEs and publically traded enterprises with key environmental challenges under the government's mandate.

Since the Chinese economic reform and opening-up started in 1979, the country has experienced an extraordinary economic growth credited to the privatization of state-owned enterprises (SOEs), the opening of export markets, and the new partnerships of state cadres with international investors (Nonini, 2008; Tan-Mullins & Hofman, 2014). Despite the economic progress taking place rapidly, China, in its constitutional terms, remains a *socialist* system, where the Communist Party of China (CPC) is key in orchestrating the economic policies and resource allocation through state planning the central Five-Year Plans (FYPs). Its distinct economic system was frequently featured in academia as a new variety of capitalism, state capitalism (Wood, 2011), with state-owned enterprises or SOEs (guoyou qiye) dominating major economic activities in critical industries (Lin & Milhaupt, 2013), including steel, automotive, and energy companies, whose production processes encompass the primary sources of pollution at issue in sustainability.

Historically, the concept of CSR first appeared in the Chinese context in the mid-1990s (Tan-Mullins & Hofman, 2014), with multinational corporations bringing in Western CSR norms and standards due to a series of *anti-sweatshop* campaigns raised by Western civil society organizations (Xu & Chan, 2018). These campaigns have one common goal: to publicly make MNCs accountable for the rampant human rights abuses at the factories along their supply chains so that the companies would take social responsibility seriously and respect workers' rights. While in the meantime, foreign investments going through Hong Kong into mainland China have trans passed the democratic and authoritarian systems and became a target for Hong Kong or overseas NGOs to attack. Chinese enterprises, who then operated as *the world's factories*, were seriously condemned, alongside their Western buyers, and demanded to comply with myriads of codes of conduct and hand in regular CSR reports as part of the prerequisite to continue selling to the Western markets (Tan-Mullins & Hofman, 2014). Despite the criticism, the idea of CSR was not widely accepted in the first place, in that it was still a confusing Western concept, with many rules and restrictions that does not integrate with the Chinese society (Wang & Juslin, 2009).

However, the story line starts to twist by the mid-2000s when the Chinese government finally realized the importance to address issues, such as water scarcity and quality, industrial pollution, air pollution, labor conditions, product safety, corruption, and income inequality (Forstater et al., 2010), before they became too difficult to ignore and could pose threats to the governing regime. Environmental problems are put first on the agenda of the CPC.

Fundamentally speaking, China has its institutionalized governance processes characterized by state-planned measures when it comes to addressing environmental problems (Young et al., 2015). In 2007, the concept of *ecological civilization* (shengtai wenming) was first introduced at the 17th CPC Party Congress and accompanied by the greening of the Five Year Plan (Guttman et al., 2018). Pollutions created by core enterprises, many of them being state-owned enterprises or SOEs (guoyou qiye) in the energy sector become the priority of the Chinese government to deal with. Other land and resources owned by the government are gradually become an issue. In 2008, the Chinese State Council issued CSR guidelines for SOEs. Following the authority's guide, the three largest Chinese stock exchanges, Shenzhen, Shanghai, and Hong Kong stock exchanges, issued guidelines and requirements on CSR reporting, also creating impact on some listed mainland Chinese enterprises that are not SOEs (Guttman et al., 2018).

Given the government's uneven attention towards social and environmental issues, different types of civil society organizations in China also subject to different treatments, depending on the state's priority. Out of almost 700,000 registered domestic NGOs in China, about 1% are said to be environmental NGOs, with limited staff and resources. The western "NGO" analogs of social organizations are still dependent on the government, since these social organization needs to have a business supervisory agency (yewu zhuguan danwei), usually a party or governmental agency, as a precondition for registration (Guttman et al., 2018).

As pointed out by Guttman et al.(2018), although there is no equivalent of the non-state actors in China to safeguard the CSR practices of the firms, as in the West, the Chinese society could still rely on three platforms, including *shiye danwei* (public service units), *she hui tuanti* (social associations), and *e-platforms* (comment areas for online shoppers), to advance the environmental governance process (Guttman et al., 2018). However, these organizations are still closely linked to the state or operate under the *shadow of the state*.

Corporate Social Responsibility in Japan

The Japanese companies are relatively new to CSR compared to their Western counterparts, but that does not mean that the Japanese companies have only been focusing on generating profits. Kawamura (2004) maintains that, in fact, the concept of CSR in Japan is both novel and old at the same time. Although the term CSR was new, the concept itself had actually been around for much longer (Kawamura, 2004; Fukukawa & Moon, 2004). Fukukawa & Moon (2004) explains that, in contrast to the perception of companies as communities in the West, the Japanese see both individuals and companies as members of the society. The Japanese word for management, *keiei*, carries the notion of ceaseless effort to govern in harmony and providing well-being to the people (Taka Iwao, 1997). Therefore, since its founding, a company in Japan is already bound with social responsibility (Fukukawa & Moon, 2004). This lends itself to what we still see today in Japanese corporate culture, such as life-time employment (Fukukawa & Moon, 2004).

Japanese corporations have gone through a series of ups and downs in business ethics issues since post WWII (Taka Iwao, 1997; Kawamura, 2004). The primary focus right after the WWII was to generate economic growth, thus the social and environmental problems were not taken seriously (Taka Iwao, 1997). However, in the late 1960s, several social problems such as pollution from manufacturing activities and food contamination began to surface, which triggered both social movements and, in turn, the emergence of the Basic Law for Environmental Pollution Control (Taka Iwao, 1997; Kawamura, 2004). The oil crisis in late 1970s once again forced the companies to abandon their social responsibility efforts to retain profit (Taka Iwao, 1997). Given the prior scandals, the Diet (Japan's national legislature) included CSR as part of its resolution together with the Commercial Code revision in 1974 (Kawamura, 2004). Likewise, *Keidanren* (Japan Federation of Economic Organizations) made a proposal on ideal corporate behavior. The Japanese firms reacted by establishing departments specialized in dealing with pollution and forming foundations to distribute part of the profit back into the society (Kawamura, 2004).

Yet another wave of industry-wide corporate scandals such as unlawful political donations and bid-rigging practices hit Japan in the 1990s (Taka Iwao, 1997). Combined with intensifying global attention towards the environment (Fukukawa & Moon, 2004; Kawamura, 2004) and the arrival of Socially Responsible Investment funds (SRI) in Japan (Kawamura, 2004), the need to adopt the international CSR standards had never been more urgent. The fact is highlighted in Fukukawa & Moon's (2004) findings in their research on Japanese social responsibility report. More than 90% of top 50 companies (ranked based on annual revenue) reported their environmental responsibility on their homepage in 2002, compared to 11% in 1991. In 2003, Ricoh became the first company in Japan to have a *CSR department* (Kawamura, 2004), marking the

CSR *gannen*, or the first year of CSR in the country (Fukukawa & Teramoto, 2009). Many other firms began to follow suit by launching CSR initiatives. Kawamura (2004) states that the CSR activities in Japan are as much for sustainability as they are for risk management.

Apparent from the development of the Japanese CSR described above, the institutionalization of the CSR in Japan has largely been shaped by the government (Lewin, Sakano, Stephens, & Victor, 1995), business associations, and globalization (Fukukawa & Moon, 2004), but less by the civil movements. This points towards an outstanding dissimilarity between the Japanese society and the West - the lack of support for NGOs. Although the Japanese citizen participated in environmental protests, they never become a group powerful enough to possess significant negotiation power like Western NGOs (Komori, 2010). Despite some improvements since mid 1990s, Japanese NGOs still suffer from lack of human and financial resources as well as expertise, which is why they do not have as much influence over public policy formation as their Western counterparts (Komori, 2010).

Chapter 3

Theoretical Framework

The following theoretical literature review outlines four main theories to unpack the black box of mechanisms concerning how the RSPO has been adopted by Chinese and Japanese firms. By combining theories of sense-making, isomorphism, legitimacy, and transnational issue control, we seek to develop an analytical framework applicable to our findings and elucidate the mechanisms in our discussion session.

3.1 Sensemaking

Among the CSR scholars, the subjects of their studies tend to be more about the content of the CSR activities, and less emphasis is put on the institutional factors that instigate and influence such activities, to begin with (Basu & Palazzo, 2008). As a theoretical lens to help us investigate how the players in China and Japan perceive and adopt the RSPO, sensemaking can offer insights into how individual and organizational actions arise from intrinsic and extrinsic determinants. In this section, we explore the process of sensemaking and a few closely related concepts.

Although sensemaking is such an integrated activity in human actions – hence usually taken-for-granted, a clear understanding of the process is still important as it helps unravel how perceptions are turned into actions (Weick, Sutcliffe, & Obstfeld, 2005). During such a process, an individual assigns meaning to the happenings and makes the world less disordered and more comprehensible. The very process of sensemaking is also the foundation of organizing and organizations (Weick et al., 2005), as Tsoukas and Chia (2002) put it:

> Organization is an attempt to order the intrinsic flux of human action, to chan-

> nel it toward certain ends, to give it a particular shape, through generalizing and institutionalizing particular meanings and rules. (p. 567)

The quote above implies that not only is sensemaking about allocating places to events, but also that 'certain ends' or 'institutions' to which each element belongs must pre-exist.

The sensemaking process begins when an individual notes the unusual from the stream of information they get from their environment. The person then crops out the abnormal part and give it a label, thus converting the tacit to the explicit with words (Chia, 2000; Weick et al., 2005). This step leaves the complexities behind – outside the crop frame. The newly derived verbal description is then used as "a springboard into action" (Weick et al., 2005, p. 409) and for communication with others.

In line with Tsoukas and Chia (2002)'s implication in the statement above, social actors make sense in the way that fits existing meaning systems (Gioia & Chittipeddi, 1991) in search of plausibility and coherence (Brown, Stacey, & Nandhakumar, 2008; Schildt, Mantere, & Cornelissen, 2020). This allows the actors to tame the interruption and continue their flow of orderly experience (Weick et al., 2005; Schildt et al., 2020) that is tolerant to potential critiques (Weick et al., 2005). Therefore, as Brown et al. (2008) concisely summarize it, "[sensemaking] can be constructed retrospectively yet used prospectively" (p. 1038). This means that individuals and organizations make sense of what happened in the past, and use the new understanding as a stepping stone for future actions to keep their conducts coherent.

According to Weick et al. (2005), the factors that affect the outcome of sensemaking include a variety of social ones. This ranges from inputs from immediate colleagues or networks to a broader scope, such as the systems or the industries that social actors are part of. Thus, sensemaking can be portrayed as both individual and collective attempts to make abnormal events compliant with the prevailing frames of understanding (Schildt et al., 2020). Collective cognitive institutions are drawn upon by individuals performing the actions, and during which process, the institutions can be reaffirmed, invalidate, or modified (Tsoukas & Chia, 2002).

Sensemaking is not only about aligning external events to create an undisturbed flow of the story, but it is also deeply related to the internal perception of self – or identity. This is because identity embodies some of the most essential and durable beliefs in an individual as well as organizations about who they are (Weick et al., 2005; Schildt et al., 2020). At the organizational level, a sense of identity is shared by the members through history, culture, artifacts, traditions, and philosophy (Gioia & Thomas, 1996). When actors make sense, they anchor to their identities, and at the same time, refer to external meaning systems to determine how to enact and interpret bracketed phenomena (Weick et al., 2005).

The outsider's impression of an actor, or in other words, the actor's image, can also affect the actor's sense of identity. Other parties' images of individuals or organizations reinforce their identities when they are aligned, but destabilizes them when the images deviate from the identities and consequently drive the actors to search for different meanings (Weick et al., 2005). This serves as a trigger for reflection, redesigning of self-definition, or reinterpretation of the events (Weick et al., 2005; Schildt et al., 2020).

Applying sensemaking in the context of CSR, Basu and Palazzo (2008) suggest that there are three pillars to the CSR sensemaking process: 1) *cognitive*, referring to what firms think about themselves and their relationships to the society; 2) *linguistic*, concerning what firms say they do and the reasons for their actions; and 3) *conative*, involving what firms do and how, taking into account how they perceive their relationships to the world. Therefore, from the sensemaking perspective, the scholars define CSR as:

> [T]he process by which managers within an organization think about and discuss relationships with stakeholders as well as their roles in relation to the common good, along with their behavioral disposition with respect to the fulfillment and achievement of these roles and relationships. (p. 124)

Apparent from above, sensemaking is not always an independent process. External actors can actively influence the sensemaking process of others through sensegiving (Gioia & Chittipeddi, 1991; Schildt et al., 2020). In Weick's (2005) sensemaking recipe "how can I know what I think until I see what I say" (p. 412), *sensegiving* is performed through the saying part. Sensegiving is generally used in an attempt to change the status quo of others' meaning systems and actions (Gioia & Chittipeddi, 1991). Crisis and threats perceived in the environment usually facilitate sensegiving that leads to strategic change (Gioia & Chittipeddi, 1991), as actors become more receptive to new meanings in the face of destabilization as described above.

Within organizations, sensegiving is typically done by management or the higher-ups to project important observations, beliefs, and targets to their subordinates in a bid to propel strategic change (Gioia & Chittipeddi, 1991; Schildt et al., 2020). Sensegiving is usually coupled with sensebreaking – an effort to render existing understandings obsolete (Schildt et al., 2020).

Given such, it is undeniable that power is an intimate part of the sensemaking process in organizations. Power is typically referred to as the influence that makes someone do something he/she would not otherwise have done (Clegg, Courpasson, & Phillips, 2006). Individuals who are in powerful positions have more considerable control over the creation of social reality, which they impose on the less powerful through cognitive, normative, and regulative constraints (Weick et al., 2005; Scott, 2014).

Categorizing power into episodic and systemic forms, Schildt et al. (2020) believe that power shapes not only the outcome of sensemaking but also the process of it. The authors refer to episodic power as concerning that of more deliberative and explicit nature, deriving from attempts to force, influence, or manipulate others. Conversely, systemic power is referred to as assumed knowledge structures as well as individual and shared identities that influence the way actors understand the world and enact upon the understanding (Schildt et al., 2020).

Looking from the power perspective, organizational reforms, initiatives, and even sensegiving belong to episodic power, as they involve conscious managerial efforts to influence the status quo (Schildt et al., 2020). Subtler forces such as prevailing cognitive categorization, norms, and discourse all belong to systemic power. Under the influence of systemic power, inferior actors align their demeanor to the expectation of the more dominating ones (Schildt et al., 2020). In more extreme cases, the holders of this type of power can suppress other actors as they influence the way dominating actors think of their identities and, in turn, behave in a way that allows powerful others to control them (Schildt et al., 2020). Identity plays an important role here, as it guides actors to conform to the standards of those they identify with and make sense of events while taking into account those standards (Schildt et al., 2020).

Collective sensemaking, where multiple actors with different interests are present, serves as a site where actors can exercise their political power (Schildt et al., 2020). Clark and Geppert (2011) elaborated on the political aspect of the sensemaking process in their study on how Western multinational integrated their subsidiaries in former socialist countries in Central and Eastern Europe. They conclude that the headquarters integrated their subsidiaries into their frameworks by rebuilding identities and forming institutions. These were done politically through the sensemaking process that engaged both local individuals and those from the head office. The interplay between the identities of the head offices and the regional offices result in a range of success level of integration: deep restructuring, superficial adoption, and opposition (Clark & Geppert, 2011).

All in all, comprehending the sensemaking process and the concepts that revolve around it is vital for us to understand how Japanese and Chinese organizations – in light of their own identities, prevailing power dynamics, as well as social and political context – perceive, interpret and react to the RSPO initiative as part of their CSR activities.

3.2 Isomorphism

Why do some organizations, like Unilever and WWF, choose to found the RSPO while some follow suit? Why do Chinese and Japanese organizations choose to adopt the RSPO, instead of solving their needs in fundamental ways? Yusoff, Yusoff, Amran, Rahman, & Darus (2019) found that various isomorphic pressures, including that from NGOs, stakeholders, and the RSPO, are what shaped the legitimacy strategies and CSR reporting of a *sustainability reporting champion* firm from Malaysia. We, therefore, turn to the concept of isomorphism in a bid to scrutinize the mechanisms that lead to the adoption of the RSPO in China and Japan.

One of the most – if not the most – cited works on isomorphism is *The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields* by DiMaggio and Powell (1983). The authors argue that once different organizations are bound together into a field, they are inclined to become similar to one another. In this section, we take a look at what constitutes an organizational field, why organizations in a common field tend to be homogeneous, and what are the mechanisms that scholars believe make organizations resemble the others in the same field.

Organizational Field

DiMaggio and Powell (1983) describes that, within an organizational field, member organizations have a shared organizational life. They have common suppliers, consumers, and are controlled by the same regulatory bodies (Dimaggio & Powell, 1983). The authors claim that, by defining the institutional field in this way, the basis of the analysis is no longer limited to competing or interdependent firms but both kinds of connections. They did not it make clear what are the exact conditions an entity needs to have to be considered an organizational field. Nonetheless, they point out that fields are institutionally defined and can be observed through the rise in these four areas: 1) the extent of interaction between organizations, 2) the dominating inter-organizational structure, 3) the amount of shared information, and 4) the mutual awareness among participants on their involvement in a particular enterprise (Dimaggio & Powell, 1983). Nevertheless, this does not mean that all actors in the field will eventually become the same. Changes in the field can occur when organizations capable of responding strategically to social pressure, or institutional entrepreneurs, shift the institutional balance towards their interests (Wooten & Hoffman, 2008). We will explain more in depth on this particular type of change in the section on *issue control* below.

Although leaning towards the socially constructed nature of the organizational environment in their work, Meyer and Rowan (1977) also acknowledge another way scholars see the origin of the isomorphic process – mutual reliance on technical know-how and exchange of goods and services. Boxenbaum and Jonsson (2017) refer to this as the organizational sector approach (as opposed to DiMaggio and Powell's field perspective). In this view, organizations maintain input-output relations with one another. The emphasis is put on the production task and, thus, changes in this field typically emerge from technological shift (Boxenbaum & Jonsson, 2017).

Underlying Causes of Isomorphism

DiMaggio and Powell started their inquiry by questioning the notion of *the iron cage of rationality* proposed by Max Weber, who argues that organizations become increasingly similar as they bureaucratize in the pursuit of efficiency. (Dimaggio & Powell, 1983). The two authors contend that bureaucratization does not necessarily lead to efficiency. Likewise, Meyer and Rowan (1977) regard goods, services, techniques, and policies as products of socially created institutions; the adoption of which by organizations is just *ceremonial* and the belief that it will lead to efficiency is a *myth*(Meyer & Rowan, 1977).

The authors argue that by conforming to the myths, organizations consciously *decouple* their structures from efficiency (Meyer & Rowan, 1977). This is because strategies that are reasonable for one firm do not necessarily work for the other (Dimaggio & Powell, 1983). Organizations are forced to do so to meet the expectations of the society in which they are embedded about how they should be structured and what they should do (Boxenbaum & Jonsson, 2017; Dimaggio & Powell, 1983). What is worse, these expectations are not always coherent but rather paradoxical – conflicting but existing simultaneously (Boxenbaum & Jonsson, 2017). When formal structures result in more complications instead of desired outcomes, rules are breached, decisions not carried out, and inspection systems circumvented (Meyer & Rowan, 1977).

However, despite being seemingly counter-intuitive, scholars maintain that isomorphism is essential for organizations' survival (Meyer & Rowan, 1977; Dimaggio & Powell, 1983; Zucker, 1987; Boxenbaum & Jonsson, 2017). Two types of isomorphism are typically mentioned in the literature: competitive and institutional. The former one concerns isomorphism derive from competition to display fitness and stay competitive (Fennell, 1980), while the latter refers to homogenization for legitimacy (Meyer & Rowan, 1977). The very fact that organizations adopt institutionalized units to meet the expectations of their stakeholders helps ensure uninterrupted support for their operations (Meyer & Rowan, 1977). Incorporating socially accepted practices also fends organizations off any questions regarding their conduct, thus ensuring their legitimacy (Meyer & Rowan, 1977; Dimaggio & Powell, 1983).

Having recognized features and legitimacy also helps firms access resources. The profit gained from convinced customers is an obvious example of the resources. Similarities and legitimacy also facilitate transactions between firms, attract talents, and ease bureaucratic procedures for grants and contracts (Dimaggio & Powell, 1983). When a new organizational structure is needed, it also requires minimal entrepreneurial effort to build one from legitimate modules as the risk of disapproval by the society is low (Meyer & Rowan, 1977). Therefore, in the complex world, isomorphism helps firms maintain some stability and legitimacy necessary for their continuity (Meyer & Rowan, 1977).

The Three Mechanisms of Institutional Isomorphism

Forces that render organizations similar can be governmental policies, procedures deemed appropriate by the public, stakeholders' opinion, education, laws, and so on (Meyer & Rowan, 1977). DiMaggio and Powell (1983) categorize isomorphic pressures into three types: *coercive, mimetic, and normative*, and we explore each one below.

Coercive isomorphism

Coercive (or regulative) isomorphism is typically a result of vertical relationships between entities (Boxenbaum & Jonsson, 2017). This includes not only the relationships between organizations and state but also the relationships that derive from resource dependencies (Dimaggio & Powell, 1983). The pressure to conform can be felt as force, persuasion, or invitation to coordinate (Dimaggio & Powell, 1983). Scenarios where coercive pressures can be observed are, for example, when the government issues new pollution control measures, parent corporations implement new accounting practices and employee performance evaluations (Dimaggio & Powell, 1983), or when powerful firm forces their close affiliates to adapt to their new structures (Meyer & Rowan, 1977).

Mimetic isomorphism

Not all isomorphic processes are triggered by directions upon an organization by other influential bodies. Mimetic isomorphism is primarily detected between entities with horizontal relationships (Boxenbaum & Jonsson, 2017). An organization imitates another organization when the environment is highly equivocal or uncertain (Meyer & Rowan, 1977; Dimaggio & Powell, 1983). This can occur both intentionally or unintentionally through transfers of personnel, consultancies, or information exchange between members of the same business association (Dimaggio & Powell, 1983). As reviewed by Boxenbaum and Jonsson (2017), an organization typically structures itself or part of which after another similar but successful and prestigious one.

Normative isomorphism

The last category of isomorphism mainly concerns professionals within organizations. Empirically, this may resemble mimetic isomorphism, as organizational structures become similar as the outcome of the process; however, the pressure that leads to normative isomorphism comes from the shared ideas of what is considered proper or righteous within the association or the society (Dimaggio & Powell, 1983; Suchman, 1995; Scott, 2014). The preferred manners of conduct are often diffused from one professional to the other in the same field, through sources such as formal education and business networks (Dimaggio & Powell, 1983).

3.3 Legitimacy

As noted in the previous section, palm oil is a raw material widely used in the production of approximately 50 percent of the products in a typical supermarket (Oosterveer, 2015). Yet, it is subject to various economic, social, environmental, and even health controversies (Corciolani, Gistri, & Pace, 2019). These controversies have jeopardized the legitimacy of many transnational corporations to produce and use palm oil. Consequently, a call for collective actions to mitigate public objections and regain organizational legitimacy lead to the establishment of the RSPO and the progressive changes in the corporate world. The following paragraphs aim to delineate the concept of legitimacy and provide an overview on the evolution of legitimacy struggles in the context of palm oil domain. Please be noted that, even though the MSI input and output legitimacy of RSPO could be relevant as background knowledge, we still focus primarily on the organizational legitimacy of business firms operating in the transnational palm oil issue domain.

Conceptualizing Organizational Legitimacy

Building on two streams of tradition in the organizational studies, Suchman (1995) synthesizes the institutional and strategic approaches to define legitimacy, as a "generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (p. 574). In particular, legitimacy is dependent on a collective social audience yet independent of particular observers in that *perceptions* or *assumptions* illustrate how observers react to the organization as they see it. This definition is extensively referred to in some social science fields, especially in the business and management literature, as legitimacy is considered fundamental to help firms achieve their bottom-line goals (Corciolani et al., 2019).

According to Suchman (1995), organizations seek legitimacy for mainly two reasons: 1) pursuing continuity and/or credibility, 2) seeking passive acquiescence and/or active support. Continuity and credibility are mutually reinforcing since social audiences perceive legitimate organizations as more valuable, more meaningful, more predictable, and even more trustworthy, thus creating stability for the organizations to persist (Parsons, 1960). On top of that, if an organization seeks only passive acquiescence and simply wants to be left alone, it needs merely to *make sense* to avoid people questioning (Suchman, 1995). In contrast, if an organization seeks to mobilize affirmative commitments and garner active support, then it must *have value* to extend audience intervention and fend off impending *non-sense* (Suchman, 1995).

Three Types of Organizational Legitimacy

To provide an overview, Suchman (1995) categorizes organizational legitimacy into three broad types: pragmatic legitimacy, moral legitimacy, and cognitive legitimacy. Each of them builds on a fairly different behavioral dynamic and thus entails different legitimation strategies. First of all, pragmatic legitimacy rests on the self-interested calculations of an organization's most immediate audiences, usually involving exchanges between organization and audience (Dowling & Pfeffer, 1975). Secondly, moral legitimacy comes from a positive, normative approval of the organization and its activities. It is usually evaluated based on one of the following: 1) organizations' outputs and its consequences, 2) socially accepted techniques and discrete procedures practiced by the organization, 3) general organizational features and structures, and 4) the charisma of the individual corporate leader. Lastly, cognitive legitimacy leans on the role of comprehensibility and taken-for-grantedness, which could be acquired through engaging in both the larger belief systems and the experienced reality of the audience's everyday life (Powell & DiMaggio, 1991).

A Shift Towards Moral Legitimacy

However, as globalization continues in the new Millennium, researchers begin to witness how the power of nation-states diminishes while the corresponding transformation of the power towards MNCs takes place. Earlier CSR discourses, which builds upon a conception of organizational legitimacy, become increasingly problematic due to the a-political character of business firms in the concepts of cognitive and pragmatic legitimacy (A. Scherer & Palazzo, 2006). Hence, "a fundamental shift to moral legitimacy from an output and power oriented approach to an input related and discursive concept of legitimacy" (p. 71) is proposed, since a new basis of legitimacy could involve companies in process of active justification vis-à-vis society (A. Scherer & Palazzo, 2006). This shift signals a political turn of the traditionally business-centered CSR literature and defines the new roles of corporations as political actors in the globalized society (A. G. Scherer & Palazzo, 2007), allowing further research to elaborate on how CSR is constructed in international settings (Joutsenvirta & Vaara, 2015).

Legitimacy of an MSI

When corporations increasingly take on political roles, their engagement in legitimate MSIs likely reinforce their legitimacy as political actors in the international arena (A. Scherer & Palazzo, 2006, 2009). Based thereon, Mena and Palazzo (2012) thus develop a set of criteria inspired by normative democratic theory to evaluate and enhance MSI input and output legitimacy, since a legitimate transfer of regulatory power and an apparent governance shift from public, democratic nation-state processes to private, transnational regulatory schemes can be witnessed. In short, MSI input legitimacy, which primarily serves the initiative's internal participants, relies on stakeholder inclusion, procedural fairness, consensual orientation, as well as structural and procedural transparency (Mena & Palazzo, 2012). As for MSI output legitimacy, which usually indicates the benefits for external actors of an organization, it builds on rule coverage, efficacy, and enforcement to justify the role of companies as they are increasingly under watch by activists, NGOs, and the public (Mena & Palazzo, 2012).

Noteworthy in this respect is that some studies on MSI legitimacy tell us little about the actual practices of creating legitimacy with regard to the arrangements of MSIs and what can be accepted as an authoritative norm in their respective issue fields (Schouten & Glasbergen, 2012). In this respect for the RSPO, Schouten and Glasbergen (2011b) suggest a multi-dimensional approach to incorporate legality, moral justifications, and consent/acceptance perspectives to deepen our understandings in the legitimization processes of the MSI. They stress on the imperatives of the interactions between the actors in the Roundtable as well as those of the institutional context where these interactions occur (Schouten & Glasbergen, 2012). Relevant components of the actor-based factors include trust and collaborative advantage, whereas the institutional factors that provide opportunities and limitations for legitimate interactions to develop encompass the structure of the commodity chain, the type of lead firms in the chain, and the role of governmental policies (Schouten & Glasbergen, 2012).

Solving Legitimacy Tension and Shaping the Agenda

As Kruuse et al. (2019) point out, there exists a potential tension between input and output legitimacy in the RSPO. However, at the organizational level, as several big organizational players, who acted as *institutional entrepreneurs* tend to guard the RSPO agenda as *institutional stewards* (Kruuse et al., 2019), big, resourceful organizations as such could reconcile this tension by undertaking the cost and labor of maintaining the MSI.

Yet, as for the the developing country, especially small-scale, actors who want to shape the standard-setting and management to their advantage, they will need to overcome critical structural differences but also play some more subtle games (Ponte & Cheyns, 2013). For instance, "promoting the enrolment of one expert group or kind of professionl knowledge over another, using specific formats of negotiation, to legitimatize particular modes of engagement over others" (Ponte & Cheyns, 2013). Therefore, we assume that, to better understand how Japanese and Chinese actors engage in the sustainability agenda of the RSPO, one also needs to look to the experts embedded in these sustainability networks that drive the rise of voluntarily standards, certifications, as well as labels to govern the processes throughout the commodity chain.

Legitimacy Struggles in the Palm Oil Domain

As Hansen et al. (2015) point out, earlier studies on palm oil controversies mainly concentrate on treating residue and other technical aspects at odds with the issues raised in the production processes. In light of this gap, Corciolani et al. (2019) took an institutional approach and applied the legitimacy theory to map out the evolution of four thematic debates revolving on palm oil (economic, social, environmental, and health) through conducting a content analysis of 3713 global newspaper articles in English from 1979 to 2017. Further, they elucidate how public perceptions of these debates changed over time and how they were interpreted differently in various geographic areas. All in all, they present the *legitimacy struggles* of transnational corporations, who profit from the production and consumption of palm oil (Corciolani et al., 2019). Legitimacy struggles hereby is conceptualised as "discursive processes aimed at legitimating, delegitimating or relegitimating an object over time" (p.1118) (Corciolani et al., 2019; Joutsenvirta & Vaara, 2015).

The economic theme of palm oil is linked to pragmatic legitimacy (Suchman, 1995) because it mainly associates with compensations, is communicated using analytical language, and directly relates to specific stakeholders, such as consumers, manufacturers, NGOs and retailers (Corciolani et al., 2019). Alternatively, the environmental and social themes are more related to moral legitimacy as they mostly associated with risks, are discussed using narrative language and more generally refer to public interest (Corciolani et al., 2019). Moreover, Corciolani et al. (2019) found out that the the pragmatic legitimacy of firms is losing its significance in favor of moral legitimacy over time, just as how Palazzo and Scherer (A. Scherer & Palazzo, 2006; A. G. Scherer & Palazzo, 2007) predicted. More specifically, while pragmatic legitimacy remains crucial for palm oil-producing countries, moral legitimacy is more salient for palm oil-consuming countries (Corciolani et al., 2019). As suggested by Corciolani et al. (2019), for firms operating in consumer countries, managers should thus pay attention to how different thematic controversies evolve and which type of linguistic strategies the media are adopting in order to formulate strategies to change their corporate behaviors to maintain or repair their legitimacy. However, since the Corciolani et al. (2019) collected data only the English speaking settings, their study cannot give us sufficient information about how each theme correlates to different types of legitimacy in China and Japan.

3.4 Transnational Issue Control

In this section, we elaborate on the neo-institutional literature and develop our theoretical framework through highlighting how professionals in organizations become key agents of profound institutional change. In light of the evolution of the institutional literature, we introduce the scholarship of professionals and field-level change and the theory of issue control in transnational professional and organizational network to provide an analytic device to examine how institutional changes occur over time in the hands of the professionals.

As campaigning on complicated issues such as, why and how to support sustainable palm oil, requires expertise to translate knowledge into understandable contents for the public, we believe that experienced *professionals*, who have the right knowledge and are embedded in various organizational networks to grasp opportunities and shape public discussions and policies at the right timing, can engage in *epistemic arbitrage* (Seabrooke, 2014) by filling the *structural holes* (R. S. Burt, 1992) in between the two-level professional and organizational networks to successfully achieve the attempt at issue control (Seabrooke & Henriksen, 2017) in the transnational governance of palm oil.

According to Seabrooke and Henrikson (2017), *transnational governance* is a process of coordination and competition among professionals and organizations to control *issues*, which are thematically linked social facts subject to particular treatments' (p3). Issue control is defined as when certain actors, be it organizations or professionals, have the authority to claim how an issue should be treated and by whom (Seabrooke & Henriksen, 2017). According to Seabrooke (2014), transnational issues are potentially liberated from intense jurisdictional battles within national boundaries (Abbott, 1988), thus allowing a diverse group of actors to play off different forms of knowledge to control the issues.

Professionals and Field-Level Change

As mentioned previously, DiMaggio and Powell (1983) consider the third source of isomorphic organizational change to be normative and stems primarily from professionalization. Suddaby and Viale (2011) build on this idea of normative isomorphism to elucidate the causal links between changes in professional jurisdictions and changes in organizational fields, explaining how professionals could create profound social changes via their prominent positions in the organizations and within the organizational fields. Their research sums up the studies that probe into the critical but often invisible role of professionals, who perform institutional works, such as the creation, maintenance, and transformation of institutions (Suddaby & Viale, 2011).

To achieve such institutional change, Suddaby and Viale (2011) point out two main types of strategy in the literature (Suddaby & Viale, 2011). The first strategy is the rhetoric or framing strategy, in which language, particularly rhetoric, plays a key role in how professions reproduce social, cultural and symbolic capital in a field. The idea is to an extent equals to how professionals use framing strategy to give sense to others in the same field and create institutional changes. The second strategy takes place through the process of colligation and categorization (Abbott, 1988). Professionals diagnose the problems of their clients and refer the problems to 'the dictionary of professional legitimate problems' (p.41) (Abbott, 1988) to classify objects as legitimate or illegitimate according to their professional logic (Suddaby & Viale, 2011). The typical outcome of these practices by professionals is the creation of new social orders within the fields.

Based thereon, Suddaby and Viale (2011) outline four inherent dynamics through which professionals reconfigure institutions and organizational fields: First, professionals use their expertise and legitimacy to challenge the existing social order and to define a new, open space. Second, professionals leverage on their social capital and skills (e.g. Fligstein, 2001) to create new actors and identities in the field. Third, professionals construct and introduce new rules and standards that recreate the boundaries of the field. Fourth, professionals control the use and reproduction of social capital within an organizational field, thereby bestowing a new social order within the field. In essence, they argue that the professional project is an endogenous mechanisms of institutional changes (Suddaby & Viale, 2011).

Issue Control in Transnational Professional and Organizational Networks

Continuing on the above logic, we will introduce a concrete framework in the following paragraphs to present how organizational actors and professionals achieve the attempts at issue control and arrive at governance outcomes. We would like to highlight first how governance of an transnational issue is traditionally exerted by the organizational actors and move on to discuss the importance of incorporating professionals into the analysis of transnational issue control.

According to Seabrooke and Henriksen (2017), many earlier studies on transnational governance indicate a causal logic presuming that issue control is an outcome of organizational strategies. From this common point of view, organizations, be it NGOs, International Organizations (IOs), or firms, will carefully choose the issues to campaign on, given their organizational resources and capabilities. Organizations also decide what professionals are suitable to work with them to achieve their organizational strategy such as standard- or rule-setting (Seabrooke & Henriksen, 2017).

In this regard, analyzing which organizational actor has the power within a field or an effective claim to authority seems to be the only approach to explain how governance outcomes can be reached via the organization's selection and control of an issue (Seabrooke & Henriksen, 2017). This common reasoning, nevertheless, is criticized as 'overplaying the importance of recognized authority coming from organizations as entities' and disregards an alternative causal chain through which non-state actors can take advantage of their professional and organizational networks to obtain issue control in transnational governance (Seabrooke & Henriksen, 2017).

As a result, the alternative logic is proposed and highlights the salience of issue professionals. This different causal chain, which is similar to what Suddaby and Viale (2011) suggest, emphasizes on how individual professionals can govern and control issues in a *thin* transnational environment by means of designing professional strategies, grabbing organizational opportunities, and controlling the treatment of an issue in a ones desired way (Henriksen & Seabrooke, 2016). In this respect, *issue professionals* can be defined as the individual, professional actors that attempts at issue control. Furthermore, they move between professional and organizational networks and are not confined within certain professions or educational backgrounds. Issue professionals usually also possess higher learning as well as social skills beside their expertise to manage professional tasks (Henriksen & Seabrooke, 2016) and engage in professional battles and formulate strategies for issue control by promoting information and knowledge exchange across networks (Seabrooke & Henriksen, 2017).

Professional strategies are often formed in the professional networks (Galaskiewicz, 1985) and formulated as professionals witness how peers operate across different social domains and organizations. Consequently, professional strategies include plans within the professional and organizational networks to disrupt, reproduce, or transform the treatment of an issue and who is authorized to work on them (Henriksen & Seabrooke, 2016). When the timing is right, organizational opportunities surface for issue professionals to take actions and provide a platform, from which they can strengthen and expand their networks.

Seabrooke and Henriksen (2017) suggest that the professional-organizational nexus is characterized as a two-level professional and organizational network (see Figure 3.1), where two sets of actors residing in separate surfaces but highly interrelated as they share common interests in issue control. To simplify, professionals are the black dots in the gray layer below and organizations are the white dots in the upper transparent layer. The professional networks built throughout an individual's previous educational trajectory, life events, career path, and personal relationships allow these individuals to interact extensively across advocacy, corporate, and policy domains. Organizational networks that the professionals reside in open up the doors for professionals to institutions, such as NGOs, IOs, and firms, to compose policy suggestions and carve out different policy space (2017).

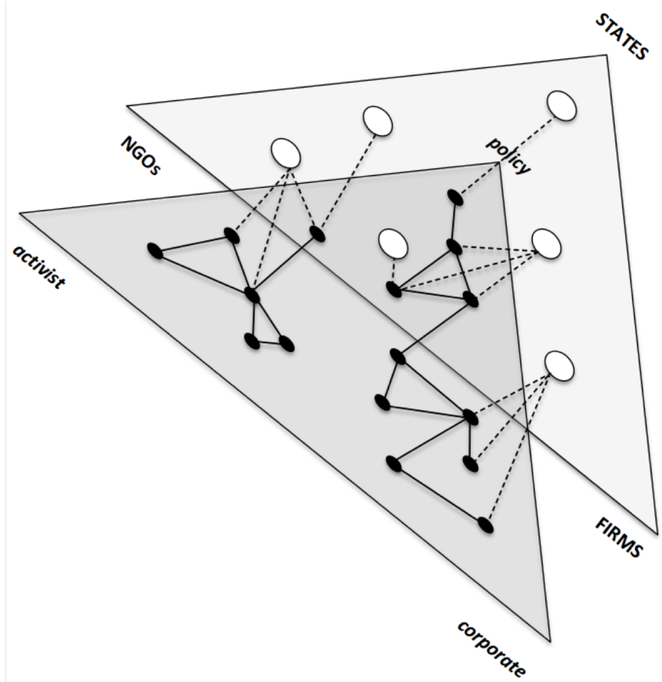


Figure 3.1: Professional & Organizational Networks across Governance Triangles
Source: Seabrooke and Henriksen (2017) (p. 14)

Although nation-states traditionally set boundaries for professional ecologies, it is highly possible that structural holes exist in certain transnational professional-organizational networks. Fourcade (2006), for instance, explains how economists conduct transnational governance because their institutionalization projects entailed profound impacts on the global reconstruction of different national economic systems. The nature of activities in certain knowledge fields are essentially transnational as globalization evolves. A structural hole, as Burt (1992) coined is "the absence of a tie among a pair of nodes in the network." It often present opportunities for a third node in a network, to fill the void and gain control of information flows in between two disconnected nodes (Seabrooke & Henriksen, 2017).

The acknowledgment of the existing structural holes matters for our inquiry to understanding who controls the transnational professional knowledge in action and further take control over the sustainable palm oil issue. From the perspective of a network theorist, Burt (2004) points out that a new idea often appears in the discussion when participants are residing in sparse network regions abundant with structural holes. This idea matches with the argument of Seabrooke and Henriksen (2017) concerning how professionals usually obtain agency to change the perceptions and treatments on an issue when the transnational network densities are comparatively low in the international political economy.

In short, issue professionals are able to succeed in attempt at issue control, when possess different bodies of professional knowledge and are eager to identify structural holes and exploit organizational opportunities in a *thin* transnational environment.

Summary on Theoretical Framework

In light of the sections mentioned above, we apply theories of sense-making, isomorphism, legitimacy, and issue control when treating our data, as we would like to probe into how Chinese and Japanese companies perceive and treat the transnational issue of sustainable palm oil.

In particular, we choose sense-making theory as an analytical scope to explain how information flows can induce changes in action. In addition, we believe that organizations are subject to isomorphic pressures that derive from legitimacy threats that result in the adoption of institutionalized sustainability standards.

In addition, we pointed out the unique network position of issue professionals in organizations could also be an underlining factor that alters the treatment of a transnational issue. We believe that the two-level professional-organizational nexus provides a concrete spacial illustration on how issue control of sustainable palm oil has taken place in China and Japan. All in all, we argue that, in combination with the theories listed above, we are able to offer an in depth analysis in response to other research question.

Chapter 4

Methodology

In order to answer our research question, we employed the strategy and methodology as outlined below in Figure 4.1. In the following sections, we will explain more in detail about our philosophical standpoint, followed by each element in the figure, and why we chose them for our study.

4.1 Philosophy of Science

Because the RSPO adoption in China and Japan is empirically novel, we believe that, to understand the current situation and the direction of the RSPO development, it is important to look at both the numerical data, as well as the perception and opinions of relevant professionals. Provided such viewpoint, we believe that our stance belongs to the pragmatism paradigm.

A paradigm is understood as the fundamental beliefs on reality and knowledge, also sometimes referred to as one's 'worldview' (Creswell, 2007; Kaushik & Walsh, 2019). Traditionally, social scientists choose to subscribe to either positivist or interpretivist principles. Positivists believe that the general laws that exist outside individuals govern social activities, while interpretivists put more emphasis on the subjective perceptions of social actors. Therefore, quantitative methods are typically employed by positivists and qualitative by interpretivists (Alasuutari, Bickman, Brannen, & Bryman, 2012). There has been an ongoing debate on which paradigms are best suited for social science. As the two are regarded as incompatible, mixing them in a single research project is usually deemed illegitimate (Alasuutari et al., 2012).

However, in the past few years, practical-minded scholars have turned their interests into the paradigm that bridges the two principles – pragmatism – for a fresh perspective on knowledge creation that focuses on solving lived problems (Creswell, 2007; Kaushik & Walsh, 2019). Pragmatism was first brought up in the 1870s by a few philosophers such as Charles Sanders Peirce and William James. Pragmatists believe that objective reality exists and is separated from the social actors, but the reality can only be apprehended through experience (Creswell, 2007; Kaushik & Walsh, 2019). Moreover, pragmatists believe that reality and the world are not static, but can be changed through *actions* (Kaushik & Walsh, 2019). Due to the belief in the elusive nature of reality, researchers who embrace this paradigm employ multiple methods that are most suitable for answering their research question at the time (Creswell, 2007).

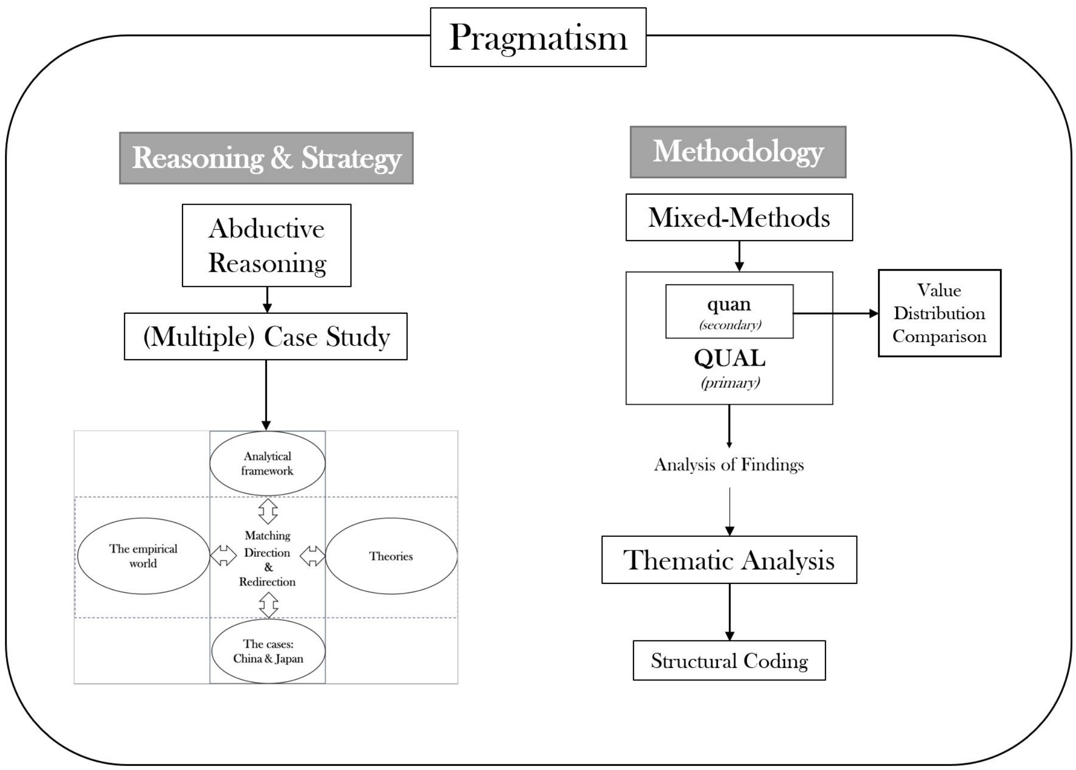


Figure 4.1: Philosophy of science and research approach

4.2 Mixed Methods

To accommodate our paradigm, we choose to use mixed methods for our project, as it allows combining both quantitative and qualitative approaches in the same study (Creswell, 2009). Mixed methods also go by other terms such as integrating, qualitative and quantitative methods, and multimethod (Creswell, 2009), but we will adhere to the term *mixed method* for this paper. The use of mixed methods has gained momentum within many research fields from the late 1990s onwards (Lopez-Fernandez & Molina-Azorin, 2011; Denscombe, 2011). This can also be seen from the rise of journals dedicated to mixed methods such as *Journal of Mixed Methods Research and the International Journal of Multiple Research Approaches* (Lopez-Fernandez & Molina-Azorin, 2011). By combining both quantitative and qualitative approaches, mixed methods can offer the strengths of both principles, which help to enrich the researchers' understanding of the topic in question and address the complexities more effectively (Lopez-Fernandez & Molina-Azorin, 2011; Creswell, 2009).

However, it also comes with challenges. This mixed approach is not only controversial as it does not conform to the traditional quantitative and qualitative paradigms, but it also requires extensive data collection and analysis in most cases (Creswell, 2009). We acknowledge the former drawback, but we hold the pragmatist standpoint as described earlier; therefore, we believe that mixed methods can be used for scholarly inquiries. Regarding time limitation, we managed it by using a combination of primary and secondary data in our approach, as explained later in this section.

There are a number of ways researchers can combine the use of quantitative and qualitative data that constitute the mixed methods. Creswell (2009) points out that there are four essential aspects that dictate the design of a mixed methods study: timing, weighting, mixing, and theorizing. *Timing* refers to when the researcher conducts quantitative and qualitative data collection. He/she can conduct one type of data collection after the other (sequential) or both types simultaneously (concurrent) (Creswell, 2009). *Weighting* refers to the priority given to each type of data. Researchers can choose to emphasize quantitative or qualitative data or give both an equal weight (Creswell, 2009). *Mixing* concerns when and how both types of data are mixed, whether during data collection, analysis, interpretation, or at all stages. Finally, *theorizing* is about how researchers take into consideration their theoretical framework when designing their methods (Creswell, 2009).

Creswell(2009) mentioned six major strategies mixed methods researchers can use for their projects. For this study, we base the design on *concurrent embedded design* (Creswell, 2009), which is one of the six strategies – with a slight modification. According to the author, this design entails a primary and a secondary approach. The primary approach, using either a quantitative or qualitative method, guides the entire project. The secondary database derives from the different method (Creswell, 2009). The latter takes on the supporting role and is embedded within the first approach. It can be used to confirm the findings from the primary method, showcase a different aspect of the problem, or provide evidence at a different level. *Concurrent* embedded design, however, entails simultaneous collection of both data sets. This is the point we needed to modify to fit the conditions of our project.

In our study, we use interview data (qualitative) collected primarily as our main approach.

However, given the time constraint and the limit of control we have over the variation of interview respondents, we made use of survey data collected by other researchers (detail in the data collection section) as a secondary quantitative method. This works in light of the mixed methods in three folds: first, it helps supplement the answers from relevant parties *not* represented in our interview participants; second, it can be used to verify the interview data; third, it quantitatively corroborates findings from the interview data. The design is illustrated in Figure 4.2 below.

In order to ease the communication on mixed methods research design, Morse (1991) created notations to represent different elements typically used in mixed methods research designs. Following this common practice, we illustrated how we use mixed methods below. The notations include a handful of labels and symbols, but for the sake of conciseness, we will limit the explanations to the ones relevant to this project. The notations we used in the Figure 4.2 are:

- "quan, qual" indicate quantitative and qualitative methods, respectively.

- "→" indicates the sequence or order of actions within the research.

- "QUAN, QUAL" in capital letters represent the data with greater weight.

In addition to this, we understand that the boxes used by Creswell (2009) represent how one set of data is embedded in the other.

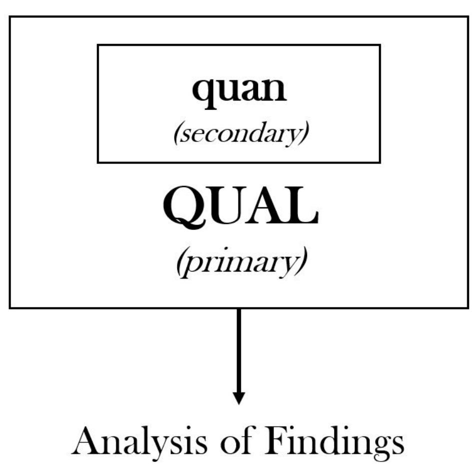


Figure 4.2: Mixed methods research design
Source: Adapted from Creswell (2009)

4.3 Case Study

Our research strategy follows a case-based approach that investigates an issue related to sustainable palm oil within the bounded settings of China and Japan. This type of qualitative study is typically known as *Case Study* research, in which the inquirer explores a case or multiple cases over time using various sources of information and an in-depth analyzing process to present the case description and case-based themes (Creswell, 2007).

Historically, the origin of the case study can be traced back to the anthropology and sociology disciplines (Hamel, Dufour, & Fortin, 1993). To date, scholars from across disciplines present a vast array of texts and approaches from which researchers are advised to choose (Creswell, 2007). One of, if not the most, notable advocates, Yin (1981) stresses that case study arises whenever:

> [A]n empirical inquiry must examine a contemporary phenomenon in its real-life context, especially when the boundaries between the phenomenon and the context are not clearly evident. (p.98)

Further, he upholds using both quantitative and qualitative approaches to case study development and reviews various studies to validate the argument of how case study could be used for explanatory, exploratory, and descriptive purposes (Yin, 2003). For qualitative research, Creswell (2007)summarizes three types of case studies, namely the single instrumental case study, the intrinsic case study, and the multiple (collective) case study.

Based on the size of the bounded cases and the intent of our case analysis, our research could be identified as *a multiple case study*, in which one issue or concern (sustainable palm oil) is selected vis-a-vis multiple research sites (China and Japan) to illustrate different perspectives on the issue (Creswell, 2007). Our research design, as Yin (2003) suggests, also conforms to that of the multiple case study design, using the logic of replication, where the inquirers replicates the procedures for each case with slight modifications (see Data Collection section).

This decision was made to make sure that possibilities for *purposeful sampling* and *theory development* are available (Dubois & Gadde, 2002). We decided to unlock the sustainable palm oil issue in China and Japan as the two markets are deemed as imperative and accessible cases based on their respective national consumption volume as well as the inquirers' language skills.

According to Flyvbjerg (2006), when the objective of a case study is to achieve the greatest possible amount of information on a given problem or phenomenon, a representative case or a random sample aiming at reaching generalizability might not be the best case selection strategy. Therefore, the fact that there are very few studies relevant to the two populous East Asian states justifies our strategic choice of the cases for their validity to clarify the deeper causes behind a given issue and its consequences.

Although case studies used to be criticized for many types of weaknesses, for instance as providing little basis for scientific generalization, scholars' attitudes towards case study has gradually shifted as more recognize the significance of solving a problem with the learning from a case conditioned by a given context and the flexibility of using various approaches to conduct the case study.

Systematic Combining

Our study follows an approach based on what Dubois and Gadde (2002) coined as 'systematic combining' grounded in an "abductive' logic." According to these authors, abduction is a form of reasoning that investigates the relationship between theory and empirical observation. Unlike the logic of deduction, the logic of abduction shares a certain degree of similarity to that of induction, where a theory is systematically generated from data (e.g., (Glaser & Strauss, 1967)). However, as Eisenhardt (1989) argues, it is almost impossible to start from a "clean theoretical slate" on theory-building. Given the limited time and resources constraints, a purely inductive approach (grounded theory), which usually requires multiple times of data collection and verification to build a theory from scratch, is deemed unfeasible for our research.

With abductive logic, researchers could thus ground a theoretical understanding in the language, meanings, and perspectives that shape the research participants' worldview and stress on a continuous interplay between theory and the empirical context. When applying an abductive logic in a case study, one can no longer see case studies as a linear process in that difficulties may arise when handling the interrelatedness of the various elements in the research work (Dubois & Gadde, 2002). As converging lines of inquiry develop, researchers need to merge various sources of evidence while shifting between analysis and interpretation (Yin, 1994). The emphasis on verification usually denotes the process of *triangulation* (Yin, 1994). Yet, Dubois and Gadde (2002).take this process further to another level. They indicate that the verification process among multiple sources of data may in fact help to unveil more aspects unknown to the researcher to discover new dimensions of the research problem. Hence, a systematic combining approach could help by virtue of its focus on confronting theory with the unanticipated empirical findings, which may result in a redirection of the study (See Figure 4.3).

During this process, theoretical framework, empirical fieldwork, and case analysis evolve simultaneously, which is useful for the generation of new concepts and, in particular, for *theory development* (Dubois & Gadde, 2002).Notably, systematic combining then builds more on the refinement of existing theories than on the invention of a new one (Dubois & Gadde, 2002).

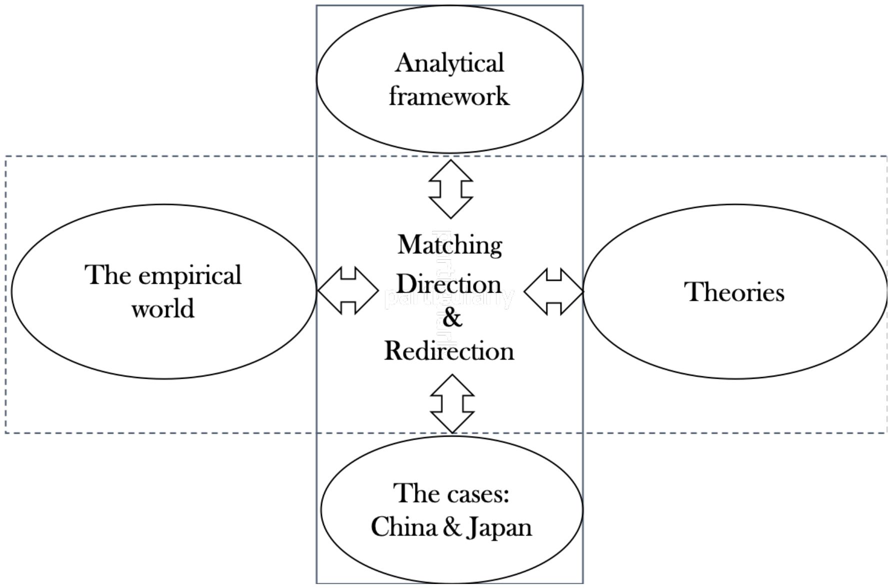


Figure 4.3: Systematic Combining
Source: Adapted fromDubois and Gadde (2002)

As a result, researchers would successively *direct* and *redirect* the analytical framework and the research issues, with the ultimate objective of *matching* theory with reality (Dubois & Gadde, 2002).

From our experience, we also constantly go back and forth between empirical observations and theory during the research process and try to expand our understanding of both theories and the observed phenomena. Our preliminary analytical framework consists of articulated preconceptions related to how Chinese and Japanese firms feel the pressure in their respective organizational fields and makes sense for themselves to source sustainable palm oil and create legitimacy despite there is very little domestic consumer awareness about the issue RSPO is raising. As the case gradually evolves, our theoretical framework developed in a direction where an inquiry of why there is always the same handful of professionals attending the sustainable palm oil-related events became the central issue at stake. Thus, we recognize the imperatives of those professional actors, build on the literature of normative isomorphism, branch out to that of professionals and field-level change, and conclude by presenting the transnational governance of sustainable palm oil issue with a two-level professional-organizational network framework. All in all, we realized that our original framework is continuously modified, partly due to the unexpected empirical findings, but also of theoretical insights gained during the process (Dubois & Gadde, 2002).

4.4 Data Collection

For this study, we explore the case using qualitative and quantitative data, as specified in earlier sections. The data comes from both primary and secondary sources. In this section, we will provide an explanation of how we collected qualitative data, which is our primary method, followed by quantitative data, our secondary method.

Qualitative Data

Primary Qualitative Data

In this project, we have collected primary qualitative data from 19 informants. Among these, ten informants are from Japan, and six were from China. All of whom contribute to country-specific information. The remaining three informants are from elsewhere and informed us of the RSPO activities from broader perspectives.

Sampling

In order to answer our research question, we have chosen to base our sampling on *non-probability sampling* (Saunders, Lewis, & Thornhill, 2006), due to limited scope of the research. Within that, we chose *purposive sampling* as our approach. This approach is not statistically representative, but the purpose is to gain insights from information-rich informants (Saunders et al., 2006). In this case, in order to understand the mechanisms and the tensions behind the development of the RSPO in each country, we initially identified four categories: the RSPO staff or former staff, companies (processor/trader/consumer goods manufacturer), NGO and NPO, and certification body. Within the company categories, informants vary in terms of businesses and company sizes. However, due to the difficulty in accessing the Chinese companies, we decided to extend the sampling category to include a researcher, who has previous research experience on the same topic, in a bid to balance the asymmetry in variation among the two countries. All individuals interviewed belong to organizations that are the RSPO members, except for one Japanese NPO and the Chinese researcher. However, although non-member, their activities are highly relevant to the RSPO; therefore, we believe that their answers are equally valid. The final sample categories and the number of respondents are outlined in Table 4.1.

Access

Since all informants are overseas, the accesses are obtained online through several means, such as through the authors' and the project supervisor's professional networks, email inquiries to

Respondent Category	Japan	China	Other
The (former) RSPO Personnel	1	1	2
Processor/Trader/Consumer Goods Manufacturer	6	1	1
NGO/NPO	2	2	0
Certification Body	1	1	0
Researcher	0	1	0
Total	**10**	**6**	**3**

Table 4.1: Number of respondents by country and category

the organizations' representative, LinkedIn, and referral among informants. The informants are informed of the research outline and objectives, as well as the timing the authors wish to obtain answers to provide the basis for judgment on whether or not they wish to participate. The outline, objectives, and answer timing were agreed and drafted in English to standardize the content between the two authors. The content was then translated into Japanese or Chinese in most cases by the authors – one is a native mandarin speaker and the other has professional working proficiency in Japanese. The communication styles were adjusted to suit each interviewee according to the authors' opinions on what was culturally appropriate and to maximize the response rate. As none of the authors is a native-Japanese speaker, some of the Japanese emails were proof-read by third-party native speakers. We reached out to 30 organizations and individuals, among which 18 agreed to participate; therefore, the requests had a 60% success rate.

Although it is noteworthy for future research that part of the reasons why the success rate was not higher could be because we did not receive the emails sent by some of the Chinese participants. We realized the problem late in the process after one Chinese respondent was forced to use LinkedIn to confirm the session, as his email never reached us. We suspect that it is due to the firewall on China's end, as we did not experience the same problem with Japanese participants.

Interviews

As we aim for a qualitative data collection, we chose to conduct *semi-structured interviews* for the project. Following this style of interview, researchers prepare a list of themes and questions, but they can vary across interviews depending on the context. The order of questions is also subject to the flow of the conversation (Saunders et al., 2006). We brainstormed and created an interview guide in English. The interview guide was then tailored to fit the context of each country, the organization, or the individual being interviewed. The interview guides prepared for the interview sessions comprise of 13 to 15 questions. A joint interview arranged by our supervisor is an exception. As the session lasted one hour and there were three groups of interviewers, each groups only prepared four to five questions.

The interviews were conducted online via online conference platforms such as Skype, Zoom, and Microsoft Teams. Some of the interviews were conducted with both authors being present, such as those in the initial phase and where the interviewees chose to answer in English. The goals of conducting interviews by both authors are to align the tone of the interviews and minimize information sharing needed to be done at later stages. However, due to time constraints, language barriers, and the availability of the informants, most interviews were conducted only by one author. The interviews lasted between 50 minutes to 90 minutes. All interviews were recorded with the consent of the interviewees. The process, from the first contact to the last interview, took approximately one and a half months (mid-March to late-April 2020).

Among the informants, three representatives from Japanese companies agreed to participate in the study but wished to answer via email. Two of these respondents answered in writing to 13-15 questions in the interview guides customized for them, but the other only answered to the broad research objectives written in the introduction email and refused full participation. We respect the informants' choices, but also acknowledge that it is not an ideal way to perform qualitative research, as the method resembles the survey method. Nonetheless, to make the most out of the opportunities, we attempted to minimize the inconsistency by using tailor-made questions and matching the number of questions with the interviews.

Secondary Qualitative Data

Secondary qualitative data utilized in this project includes that from a wide variety of sources. As the data that can be used in the case study method is extremely diverse, we follow Yin (1981)'s advice to create a protocol to keep track of the data, which also helps us align the type and amount of data used in the project for each country. Our protocol comprises of elements as follow:

- Organizations' websites and reports

  The RSPO's Annual Communication of Progress (ACOP) data

- Video recordings on the RSPO and palm oil-related events

- National and international newspaper articles

- Academic journal articles

Quantitative Data

All of our quantitative data comes from secondary sources. These include survey data made available by relevant organizations, such as the RSPO, environmental NGOs, NPOs, and firms. Other quantitative data comes from the work of other scholars. Lastly, we also made use of raw data from a survey conducted on the RSPO member organizations' representatives from China and Japan by our supervisor, Kristjan Jespersen, and his colleague, Caleb Gallemore, for their separate work. This survey was originally written in English, and was traslated to local langauges by the RSPO offices in China and Japan. The survey question was then sent to the RSPO member organizations' representatives in China and Japan and was answered by them on a voluntary basis. Therefore, this data may not be representative of the entire population.

In light of the mixed methods approach discussed earlier, we choose to put more weight onto the qualitative method as it is our original work, therefore we could fully control the direction of the data to best answer our research question. For the same reason, we opt to embed the quantitative method into the qualitative one.

4.5 Data Analysis

Data Treatment

All audio records from interviews were transcribed using professional transcription services. The transcriptions were transcribed into original languages (Chinese, Japanese, or English). For video recordings, we used voice to text automated transcription software to assist us with transcribing. Due to limited budget, we did not have raw data, transcription nor text, translated into English prior to data analysis. In order to counter the fact that both authors cannot access all data, we rely on intensive group discussion or *diological intersubjectivity* (Saldaña, 2013) to align the understanding between us.

Additionally, since some of our interviewees requested partial anonymity, and wish to have only the nationality and type of business disclosed (e.g. Japanese confectionery manufacturer) we decided to apply this standard to all organizations and individuals for fairness and consistency.

Qualitative Data Analysis

Thematic Analysis

For qualitative data, we use *thematic analysis* technique to analyze the data. Thematic analysis, although widely practiced by qualitative researchers, was claimed as a mix of other methods,

Date Interviewed / Answered	Country	Industry / Organization Represented	Pseudonym
15 Mar 2020	Japan	Consumer Goods Manufacturer	Interviewee 1
25 Mar 2020	China	The RSPO	Interviewee 2
27 Mar 2020	Other	The RSPO	Interviewee 3
27 Mar 2020	Japan	Consumer Goods Manufacturer	Interviewee 4
30 Mar 2020	Japan	Consumer Goods Manufacturer	Interviewee 5
31 Mar 2020	China	Consumer Goods Manufacturer	Interviewee 6
1 Apr 2020	Japan	Consumer Goods Manufacturer	Interviewee 7
8 Apr 2020	Japan	NGO	Interviewee 8
9 Apr 2020	Japan	The RSPO	Interviewee 9
11 Apr 2020	China	Certification Body	Interviewee 10
13 Apr 2020	China	NGO	Interviewee 11
14 Apr 2020	Japan	NPO	Interviewee 12
15 Apr 2020	Japan	Certification Body	Interviewee 13
15 Apr 2020	Other	Processor	Interviewee 14
16 Apr 2020	China	NPO	Interviewee 15
16 Apr 2020	Japan	Consumer Goods Manufacturer	Interviewee 16
17 Apr 2020	China	Researcher	Interviewee 17
20 Apr 2020	Japan	Consumer Goods Manufacturer	Interviewee 18
28 Apr 2020	Other	The RSPO	Interviewee 19

Table 4.2: Pseudonym list

such as grounded theory and discourse analysis, and had not been properly defined until 2006 by Braun and Clarke (Braun & Clarke, 2012). The method is fundamental to qualitative research and highly flexible (Braun & Clarke, 2006, 2012); however, it does not mean any methods can claim the name. Thematic analysis is "a method for systematically identifying, organizing, and offering insights into patterns of meaning (themes) across a data set" (Braun & Clarke, 2012, p. 57). A theme in this regard has to represent a distinctive feature in the data that is relevant to the research question. Moreover, it needs to show an extent of patterned behavior or meaning within the data (Braun & Clarke, 2006).

We find thematic analysis to be the most suitable method for our study compared grounded theory of discourse analysis, as our main goal is to find the pattern in light of predetermined theoretical framework. Thematic analysis provides an analysis structure, but also enough room for customization to fit our needs and limitations.

Structural Coding

In order to efficiently and effectively treat the data, we conducted the coding process through first organizing our codes according to the principle of "structural coding method" (Saldaña, 2013). We chose this method because it is suitable for qualitative studies involving multiple participants, semi-structured data-gathering protocols, and exploratory investigations to collect topics lists of major themes (Saldaña, 2013). This method allows us to use the technique that applies "a content-based or conceptual phrase representing a topic of inquiry to a segment of data that relates to a specific research question used to frame the interview" (p. 124) (Guest & Macqueen, 2008).

Structural Coding methods permits us to initially categorize the data corpus and scrutinize comparable commonalities, differences, and relationships of the segments. The segments of data are preceded by the research question of a study, followed by its related "Structural Codes," granting the researchers chances to knit pieces of data with a concrete red thread (Saldaña, 2013).

We used computer aided qualitative data analysis software (CAQDAS) to assist us with organizing and coding the data. The program we used was NVivo Pro 12, made available by Copenhagen Business School library.

Intercoder Reliability

To achieve intercoder reliability, we, as two researchers who conducted interviews and data treatment in different languages for this collaborative project, consistently coordinate and insure that our individual coding efforts harmonize. This process is implemented through intensive group discussions to align "dialogical intersubjectivity" and group consensus (Saldaña, 2013). The process we followed is as follows. First, we went re-read all the data in our specialized languages and developed codes individually. Next, we discussed the codes and developed a code book. Then we chose one English piece of interview transcript from an interviewee who shared information about both the Chinese and Japanese market and coded the piece individually to test out the code book. Later, we sit together and compared our coding and adjusted the code book. This is to ensure that both researchers have the consensus on the codes and how they should be interpreted. After finalizing the code book, we dived into the interview transcripts in different languages.

Quantitative Data Analysis

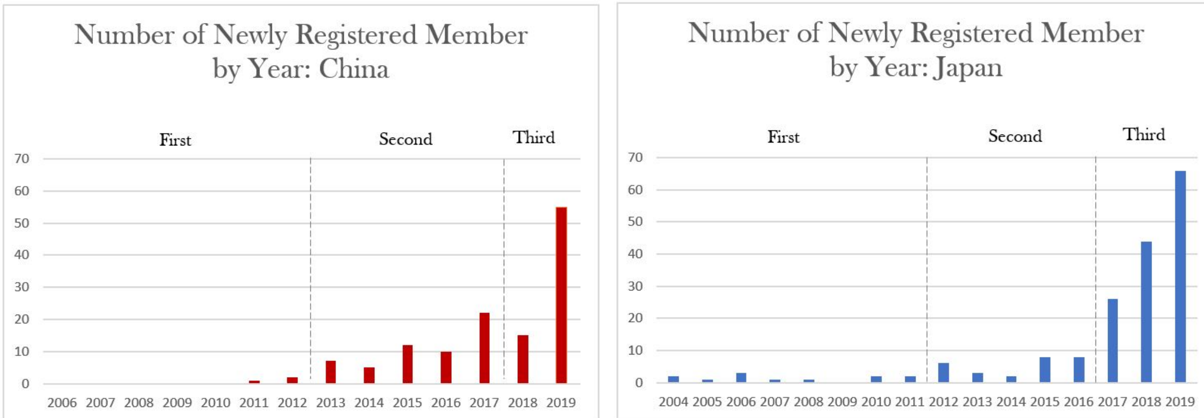
We conducted data analysis on the raw survey data made available by Gallermore & Jespersen (2019b) mentioned above. Out of the total 104 replies from Japan and 56 replies from China, we selected the reply which has at least 70% of the questions completed in the entire survey. In this regard, we have 40 replies from China and 80 replies from Japan that can be used for analysis.

We selected the answers to two questions on category of organization and three most important reasons to join the RSPO to use in combination with our qualitative data. We used Microsoft Excel to visualize the data and compared the distribution of values using multiple frequency bar charts (Saunders et al., 2006).

Chapter 5

Findings

In light of our research question to explore the reasons behind Chinese and Japanese company's engagement in the transnational issue of sustainable palm oil, we will present our findings in the following sections to illustrate the development of the two markets. Findings in both nations are structured into three different stages and presented in parallel to allow the readers to compartmentalize and contrast the two markets. We draw the lines between each stage primarily according to the events mentioned by our interviewees and highlighted as critical milestones for the development of the RSPO in each market. Several organizations and professional actors are pinpointed with respect to their contributions in pushing forward the sustainable palm oil agenda.



(a) (b)

Figure 5.1: Number of newly registered member by year by country
Source: RSPO Membership (as of May 1st, 2020)

5.1 First Stage: Emerging

China (2006-2012)

Despite soybean oil and rapeseed oil remaining the most popular vegetable oil in the Chinese market to date, palm oil slowly becomes one of the main commodities importing into China in recent two decades due to its lower price and versatile functionality. This momentum was gained as the Chinese government fulfilled its promise to the WTO, liberalized the control of palm oil, and lifted the import tariff quotas in 2006 (UNDP China, 2020). As the free flow of the palm oil into China has become available for a wider variety of actors in the global market, several actors emerged at this stage to direct China's growing demand to make sustainable palm oil (SPO) a market norm.

Bringing the RSPO to China

According to Teoh (2011), the first RSPO Secretary-General and an agronomist, efforts have been put to involve Chinese stakeholders into the RSPO already since the beginning of the MSI. He was one of the most important figures for the development of the RSPO in China in the early stage. Teoh had had a long experience in the palm oil industry, working for a Malaysian plantations company, which is now part of Sime Darby Barhad, from 1989-2000 (Lai, Tan, & Akoh, 2012). Later in his career as the Senior Consultant to WWF China, Teoh had been raising awareness among Chinese enterprises and to develop a strategy for promoting CSPO uptake in China. Even before the first trade of CSPO commenced in 2008, representatives from Chinese enterprises and government officials had been attending the RSPO annual roundtable meetings and study tours in Southeast Asia to familiarize themselves with the RSPO.

Yet, as sustainable palm oil was still a distant, foreign concept to most Chinese buyers at this stage. Teoh quickly realized the challenge would become a roadblock for RSPO's vision to make the CSPO the market norm, as he noted during the Annual Roundtable Meeting in 2011: "...if you're going to transform the market, then you really have to depend on the developing economies, particularly China...We try to establish a business case. It was tough and...there was no convincing case [for China] yet". This is precisely why the RSPO couldn't welcome its first Chinese member, Beltek (Huizhou) Foods Co.,Ltd. (Beltek Food), until 2011. In fact, Beltek Foods is an American-invested company engaged in producing instant noodles under "California Sunshine" brands elsewhere in the world (Beltek, n.d.). The company's ACOP data also reaffirms that its incentive to join and stay in the RSPO stemmed primarily from its clients' requirements in Europe (RSPO, 2012). Intriguingly, one of the biggest Chinese state-owned enterprises, China Cereal, Oils and Foodstuffs Corporation (COFCO) had joined the RSPO as an ordinary member in 2005. However, the firm on dropped out a few years after and then re-joined the RSPO in 2013.

Identifying Key Government Agencies in China

The China Chamber of Commerce for Import and Export of Foodstuff, Native Produce and Animal By-products (CFNA) is one of the two critical agencies of the Ministry of Commerce (MofCom) involved with sustainable palm oil, with the other being the China Chain Store and Franchise Association (CCFA) facing the retailers and consumers (UNDP China, 2020). Serving mostly processors, traders, and manufacturers, CFNA declared a Statement of Support to promote sustainable palm oil and launched the "Network for Promoting Sustainable Palm Oil in China" together with WWF China , with Teoh as one of the main contributors, during the annual "China International Oils and Oilseeds Industry Summit" in 2009 (Chen, 2015).

Albeit its close tie with the state, CFNA does not have the power to create binding regulatory rules. Hence, its central role remains to promote industry development by channeling different voices and external opinions to the government. The association also organizes knowledge sharing events for members, disseminates best business practices among members, and provides consultation to both smaller firms with limited resources and larger enterprises with the ambition to venture abroad and navigate in less familiar markets (China Chamber of Commerce of Import & Export of Foodstuffs, Native Produce & Animal By-Products (CFNA), 2012). Teoh also served as a consultant to CFNA from 2010 to 2012 (Teoh, 2011).

To better propose strategic policy suggestions to the Chinese government, CFNA has been an active actor to engage in the RSPO's activities and even involved in several intergovernmental projects to facilitate the progress. For instance, in 2010, CFNA was responsible for implementing the project sponsored by the UK government named "Prospects and Challenges of Sustainable Palm Oil for China," with the professional support from Teoh, to generate knowledge and formulate policy suggestions for China. In 2012, WWF China, the Consumer Goods Forum (CGF), CFNA, and the RSPO cooperatively arranged the "International Forum on China Sustainable Palm Oil Supply Chain" (Chen, 2015) to create an open space for supply chain actors in China to mingle.

On top of CFNA's support for the RSPO, different industrial associations and state ministries in China also have their jurisdictional areas overlapped with regards to the palm oil sector. For instance, the State Forest Administration (SFA) and the MofCom published the "Guide on Sustainable Overseas Silviculture by Chinese Enterprises" in 2007 (SFA, n.d.) and the "Guide on Sustainable Overseas Forest Management and Utilization by Chinese Enterprises" in 2009 to set standards and encourage Chinese enterprises to conduct sustainable forest management practices overseas (Muianga, 2016). These regulations were launched to target at Chinese companies whose globalization strategies involve in issues related to nature conservation in other developing countries.

Take the Julong Group from China for example. The company is originally a major Chinese trader and processor of palm oil. To create vertical integration in its supply chain, in 2006, Julong started to invest in oil palm plantations in the South Kalimantan Island of Indonesia and founded Julong Indonesia, a foreign subsidiary company, under Tianjin Julong Group to embark on its internationalization journey (Julong Indonesia, 2015). Julong belongs to one of the dragon-head enterprises that the Chinese government dedicates to support (Schleifer & Sun, 2018). In order to become a good role model for other Chinese firms, its investment activities in Indonesia are subject not only to the above mentioned "Guides" but also to the RSPO and ISPO certification system.

All these efforts signaled a progressive change on the ground and has brought the idea of sustainable palm oil into the Chinese government's eyes. Perhaps not coincidentally, after the 2008 Beijing Olympics and the 2010 Shanghai World Expo(UNDP China, n.d.-a, n.d.-b), the term "Ecological Civilisation" was also enshrined in the Chinese Communist Party Constitution in 2012 to emphasize the imperative of harmony between human and nature (UNDP China, 2020), implying China has affirmed its determination to grow in an environmentally sustainable manner.

Supports from other Civil Society Organizations

When it comes to the civil society movement in China, one notable actor is the WWF China Programme Office (WWF China). Despite no local consumer demand on sustainable palm oil was observed at this stage, WWF China spearheaded in pushing for changes through aligning with the Chinese government's aspiration for environment friendly development outlined in its 12th Five-Year Plan (2011-2015) for National Economic and Social Development (WWF China, 2012). This strategy was presumably devised under the command of WWF global headquarter. The World Wide Fund for Nature (WWF) has primary national offices and associates in over 40 countries gloablly, and they all work towards the same end goal: "to halt and reverse the destruction of our natural environment" (WWF, n.d.). Aligning with WWF's global Market Transformation Initiative (MTI) and its earlier Forest Conservation Initiative (FCI), WWF China operates at a national level to organize relevant events to mainstream the procurement of different responsibly produced raw materials, with palm oil being one of its focus.

The MTI is an catalytic initiative within WWF to transform the markets of 15 different commodities that are critical to the conservation of the world's natural ecosystems. Under the same initiative, WWF program offices in different parts of the world try to engage all stakeholders throughout the entire value chain of key commodities and create demand from large commercial buyers towards promoting sustainability in the supply chains. As WWF has been active in China as a result of its nature conservation works since 1980, its amicable role as an reliable, environmental NGO has allowed harmonious collaborations with the Chinese counterparts to be carried out. Prior to the establishment of the RSPO China office, WWF China's input in raising consumer awareness on negative impacts surrounding conventional palm oil production has laid a solid foundation for the RSPO to establish its brand awareness among the industries. With the supports from other international NGOs, such as those from Oxfam and Solidaridad Network, a Dutch development NGO, the visibility of the works that RSPO contributes to was improving step by step.

Nonetheless, one interesting project that WWF China did not implement in the mean time, as compared to other international branches, is its WWF Palm Oil Buyers' Scorecard. This initiative was initially launched to target the European companies in 2009. However, as this is a voluntary project that different national branches of the WWF can decide if they want to undertake, WWF China did not choose to undertake this project, considering the cultural differences and the different entry timing of the Chinese businesses. As one of our informants from WWF China put: "this kind of [Palm Oil buyer] scoring measure is not a comfortable entry point for the Chinese, as we are more used to 'take courteous measures first before using force' instead of the other way around, right?"

MNCs Exercising Their Buying Power

Even though enormous civil society pressure is driving the MNCs operating in China to source sustainable palm oil at this stage, most Chinese enterprises did not pick up the pace right away, except Julong. Outside of China, Western MNCs, who rely on the markets in developed countries, have already started making commitments to source 100% sustainable palm oil in their supply chains, and some already took actions because of the aggressive NGO activities and rising consumer demands. On the contrary, Chinese companies who mainly operate locally were left confused when receiving requests from their MNC clients to source RSPO certified products. For instance, when Mars, an American consumer goods manufacturer, initially tried to procure RSPO certified palm oil in China. It posted a challenge for the company's local refinery partners, as their suppliers do not know much about the traceability concept (Interviewee 6).

An Urgent Need to Set up the RSPO China Office

As a result, the confusion created by the MNCs in China implied that the Chinese enterprises needed more time, information, and resources to posit themselves, understand the RSPO's vision, learn about each type of traceability system, step up to become a member, or even undertake the procedures to get certified. According to our survey data, for local Chinese companies to get access to all the information, sometimes the English content might post an obstacle for them.

As more and more MNCs became members of the RSPO and made their sourcing commitments, many Chinese suppliers were practically left with no choice but to slowly accept the new market norm and educate themselves as their foreign clients requested. All the increasing needs for the resources to be available in the local context posted an urgent need for the RSPO to create a liaison office in China. To better serve the potential members of the RSPO, having a professional, who knows about the culture, the local sustainability landscape, as well as all the legal procedures, also became another necessary step to take to include the market. However, how to engage the Chinese businesses targeting only the domestic market remains an unanswered question.

Japan (2004 - 2011)

Unlike China, some of the first members of the RSPO in Japan are firms who independently joined the organization in its early years of founding. These members vary significantly in size and industry, including major trading houses such as Mitsubishi Corporation, Itochu Corporation and Mitsui and Co., Ltd; oil processors such as Fuji Oil Holdings; cosmetics and toiletry manufacturers such as Saraya, CO-OP clean, Kao and Taiyo Yushi. According to one of our interviewees, “these first movers needed to get certified either because they have business with Europe, or because they got picked up negatively about palm oil by the media.” (Interviewee 13)

Among these, Saraya’s enthusiasm about sustainable palm oil was outstanding, seen from different initiatives launched by the company. Nevertheless, during this stage, the growth in membership was sluggish.

The Large Multinationals

In order to see whether firms use CSPO to satisfy the consumers in markets with higher awareness, we referred to the ratio of the CSPO used in each region. However, the answers were proven to be unreliable. For example, Fuji Oil Holdings, the biggest palm oil processor in Japan, reported 0% usage for all regions despite more than 100,000 tons of CSPO uptake in their most recent ACOP report. Therefore, we turned to companies’ annual reports for their sales breakdown.

Fuji Oil Holdings are indeed reliant on Western clients for their revenue. Their business areas include vegetable oils, industrial chocolate, and soy products, selling to food manufacturers such as confectionery makers and restaurants (Fuji Oil Holdings, 2020a). According to their financial report in 2003 – one year before they became the RSPO member, 10% of Fuji Oil Holdings’ sales came from Belgium and the United States, which later increased to account for almost a quarter of their global sales in 2019 (Fuji Oil Holdings, 2020b). Moreover, according to WWF Japan, the firm joined the RSPO through its Belgian subsidiary in the beginning (WWF Japan, 2013), before shifting the membership’s country to Japan. Nikkei Asian Review reported that the firm joined the RSPO early to mitigate risks that may come their way from the negative image of palm oil (Hilton & Sugiura, 2019).

When it comes to consumer-facing firms, Kao Corporation is the biggest user of CSPO in Japan. It is the owner of many consumer product brands regcognized by people all over the world. Even though the primary stream of income comes from within Asia, the ratio of revenue from Western consumers is also significant, standing at around 20% in both the year preceding their membership in 2007 and 2019, the latest reported year (Kao Corporation, 2020).

Shiseido, originated in Japan, is a multinational makeup and skincare brand owner. It became the RSPO member during this period, also has 20 to 30 percent of its sales registered in Europe and North America from 2014 to 2019 (where financial reports are available) (Shiseido, 2020). Although these firms officially claimed that the motivation behind the decision to join the RSPO is to conserve the environment, we believe that the factors observed by our interviewee also played a part. Due to their stake in the European and American markets, as well as their being listed in the stock market, the move could very well be strategic to accommodate the stakeholders' demand in each market.

In this period, the Western MNCs such as Unilever and Walmart (known as Seiyu Walmart Japan in Japan) also brought their global commitment to Japan. Both companies vowed to shift the palm oil used in their manufacturing activities to 100% sustainable palm oil (SPO) in 2010. For Unilever, the goal was to reach 100% physical supply of SPO by 2019, and Seiyu Walmart 100% SPO (including credits) by 2015 for private brands (Daabon, 2016b).

However, the two companies' initiatives proved to have little impact on reforming the Japanese supply chain. Although not verified, an interviewee who works closely with the procurement of Unilever Japan observed that Unilever should be managing their certified sustainable palm oil (CSPO) supply globally, therefore less dependent on the Japanese supply chain (Interviewee 1). For Seiyu Walmart, the company mainly utilized credits to offset the amount of conventional palm oil used in their private brand products (Daabon, 2016b).

The SMEs

Another group of pioneers comprises of smaller, unlisted firms in Japan. The companies falling into this category are Saraya, Taiyo Yushi, and CO-OP Clean. The ratio of sales from abroad for these companies are unclear as financial reports are unavailable. These firms are only a fraction of their counterparts stated above when it comes to sales. To illustrate, the sales of the biggest company among the three, Saraya, was 456 billion yen (Saraya, 2019) compared to Kao's 1.5 trillion yen's revenue in 2018 (Kao Corporation, 2020). The former company's sales were barely over 3% of the latter's.

Saraya and Taiyo Yushi joined the RSPO as a prompt response to customer complaints made to the firm regarding the harmful effect of their procurement of palm oil on the environment in Borneo (Interviewee 16, Interviewee 18). CO-OP Clean's motivation to join the RSPO since 2006 is unclear, but according to CO-OP clean's representative statement during the panel discussion in the RSPO Japan Day event in 2016, the company was founded in 1970 when Japan was suffering from water pollution, which was why CO-OP Clean was conceived to produce products that are less damaging for the environment (Daabon, 2016b).

Saraya, a middle size producer of hygiene and personal care products, has been transparent about the criticism they received. As stated in their CSR reports, in August of 2004, the company's owner participated in the interview conducted during a TV documentary about elephants being driven to extinction due to the expansion of oil palm plantations. At that time, "Saraya was the only company that accepted the invitation to participate in the TV show. The producer of the show also asked other companies to take part, but they all refused." (Interviewee

16)

Saraya's CEO (Yusuke Saraya) has been environmentally oriented since young age. As a youth, he joined Junior Chamber International Japan's activities in Osaka, where he met Professor Gunter Pauli. Pauli later became one of the committee members that drafted Kyoto Protocol, a treaty that tighten the commitments of the UN member states on reducing green house gas emissions. The two have remained in a good relationship. When Pauli established Zero Emission Research and Initiative (ZERI), Saraya offered an office space in his company's building for ZERI Japan branch, where he serves as one of the directors (Saraya, 2019).

After learning how the ingredients in his products partly contributed to biodiversity loss in Borneo, the CEO actively engaged in various conservation initiatives such as applying for the RSPO membership at the end of 2004 and supporting wildlife sanctuary in Malaysia. The CEO also found an NGO called Borneo Conservation Trust (BCT) in Malaysia in 2006, and another entity, Borneo Conservation Trust Japan (BCTJ), in 2008 (Saraya, 2019). The company donates 1% of its revenue from a number of flagship products to the activities of Borneo Conservation Trusts.

Through BCTs' activities, Saraya bought pieces of land around *Green Corridor* – BCT's iconic project. Green Corridor's goal is to secure forest areas around river banks in Borneo amid oil palm plantations to secure necessary sustenance for wildlife to continue to survive. Saraya CEO proposed the idea to the RSPO, but it was initially rejected in 2005 (Saraya, 2019). CO-OP Clean also joined Green Corridor project and sponsored BCT to purchase pieces of land they named "CO-OP forest" (Daabon, 2016b)

Saraya was also the only consumer goods product manufacturer that proactively involved in the early palm oil symposiums in Japan. In 2006, Saraya dispatched one of its employees to give a talk about palm oil and the RSPO in a seminar on sustainable procurement. From 2007 through to 2011 [1], symposiums dedicated to sustainable palm oil were held every other year with representatives from the RSPO, other NGOs, and Saraya's CEO as speakers.

The palm oil events were organized by Global Environmental Forum, Saraya, BCTJ, and ZERI Japan (Global Environmental Forum, 2020). Supporters of these events were governmental bodies such as the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Environment, and other NGOs such as WWF Japan. Despite various efforts, primarily by Saraya, to promote sustainable palm oil in Japan, the growth of the RSPO members in the country during this period was minimal, peaking at three new members a year.

[1] BCTJ held another international symposium on biodiversity in 2014 with Saraya as a sponsor and its CEO as one of the speakers, but the scale was smaller and did not involve the RSPO nor WWF Japan.

Summary of the First Stage

At the emerging stage, although both countries saw little change in the number of members, a wide range of initiatives was launched to introduce the concept of sustainable palm oil and the RSPO into the markets. China and Japan each had an individual who spearheaded the spread of the notion of sustainable palm oil into the markets; the first RSPO Secretary-General, Teoh, pioneered in the development of the Chinese market, and the CEO of Saraya in the Japanese market.

However, the main distinction between the two markets is the involvement of governmental organizations in the activities to raise the awareness of the RSPO. In China, advocates of the RSPO had been lobbying governmental organizations deemed influential from the start. In contrast, the Japanese companies made decisions to join and spread the words about the RSPO unassisted.

The main source of pressure in this period was the demand from consumers and NGOs from outside the countries. Most firms who were responsive during this stage faced pressures from the Western markets, thus were forced to partake in the RSPO initiative. Nevertheless, the pressure from a small-scale movement to conserve the forests in Malaysia originated locally in Japan was also observed to push some Japanese SMEs to take action effectively.

5.2 Second Stage: Laying the Groundwork

China (2013-2017)

At this stage, we observe that the RSPO was undertaking a two-way approach to not only burnish its reputation within the upstream industries by cooperating with the industrial associations, but also increase its brand awareness among end consumers by working with the retailers and other civil society organizations. As required by either international clients or their foreign parent companies, some leading MNCs in China are slowly achieving their 100% sustainable palm oil sourcing commitment, turning into more supportive roles to guide their peers, or even trying to move up the traceability ladder by sourcing a more rigorous type of CSPO (Interviewee 6). To accelerate the progress, many Chinese sustainable palm oil industry professionals were actively mobilizing their resources and even spontaneously formed WeChat community (a popular social media application in China) to disseminate information and exchange knowledge (Chen Ying, 2016).

The RSPO Set up its First Representative Office in China Before its Beijing Representative Office, also the first one in China, was set up in the end of 2015, the RSPO had gone through some preparation works, primarily due to the country's regulatory framework, as one of our interviewees briefly described below:

"To get a staff [for the RSPO] in China is obviously challenging. To even have an office [is a pre-requisite], because we can't hire someone unless, until we set up an office..." "And then we found out that the office that we established in China could only work in the province that we had one office at... [which means] if I want to work on the whole China... I need to start establishing, perhaps, you are talking about 40 and 50 offices ... to cover the whole China."

However, this was not the only thing that the RSPO needed to pay attention to. As pointed out repeatedly by most of our interviewees, "[For the government of] China... Their priorities on sustainability is different...They have many other priorities." "Palm oil doesn't hit them...but when it comes to sustainable about poverty eradication, clean air, greening the desert, these are things that hit them" (Interviewee 19). Therefore, formulating a carefully articulated strategy that could link the government's priority to the RSPO's goal was an essential step.

Based thereon, less-incentivized Chinese companies will be able to find a motivation to join the RSPO. Fortunately, as more Chinese companies are stepping up into the international arena, they need to showcase that they can also be global players. They are looking at their ecological footprint and gradually pushing the agenda on sustainability, regardless of the government's involvement in the first place (Interviewee 19).

The RSPO Strengthening Their Connections With Other Stakeholders

To tackle the upstream of the supply chain, RSPO partnered with CFNA to attract the attention of the stakeholders involving in the production side. As CFNA holds such critical position for the RSPO to bring Chinese supply chain actors on board, the two organizations officially signed the Memorandum of Understanding (MOU) to establish and strengthen their strategic partnership in 2013. The agreements highlight the commitment of both parties to raise awareness and educate Chinese supply chain stakeholders by engaging in promotional events, hosting knowledge sharing sessions, and drafting policy recommendations. Accordingly, the RSPO gets access to join the annual summits organized by CFNA for their industrial members in the oil and oilseeds industry and could broaden its reach to more local enterprises ever since (RSPO, 2013).

For instance, in 2016, the RSPO hosted the first "China Sustainable Palm Oil Supply Chain Forum" and the first "RSPO China Forum" in the same venue as the "8th China International Cereals & Oils Industry Summit" in Chengdu, China (RSPO, 2016b). Over 80 representatives from CFNA, the RSPO, WWF China, traders, processors, manufacturers, and retailers attended the gathering one day before they went to the official annual CFNA summit. Representatives from Chinese and western multinational companies were also present, including Wilmar, COFCO, Julong, Mars, Unilever, HSBC, P&G and L'Oréal. As one of the NGO front runner, WWF China delegate mentioned during his keynote speech that the NGO "is planning to jointly initiate China Sustainable Palm Oil Alliance with all stakeholders along palm oil value chain for concerted efforts for the market transformation of sustainable palm oil in China and beyond" (WWF, 2016), signaling the emergence of a deeper, local industrial network of the sustainable palm oil has yet to come.

Turning to the other end of the supply chain, RSPO began to work with stakeholders in the retailing industry to raise the consumer awareness. In 2013, WWF China and the China Chain Store and Franchise Association (CCFA) set up the China Sustainable Retail Roundtable (CSRR) and, in September 2013, the CSRR initiated the first "Sustainable Consumption Week (SCW)" (WWFChina, 2016). The CSRR is a local voluntary non-profit multi-stakeholder initiative bringing together both Chinese and international retailers, consumer goods producers, NGOs, and academic institutions to share best practices and promote sustainable consumption of key certified commodities, such as MSC certified seafood and alike. Members of the CSRR include China's 13 largest supermarket chains and the Chinese branches of big MNCs, such as China Resources Vanguard, Taiwanese hypermarket giant RT-Mart, Walmart, Carrefour, METRO, AEON, H&M, and IKEA. Collectively, they represent more than 12,000 retail stores and more than RMB 580 billion (€ 80 billion) sales value (Richard Holland, 2016).

Echoing the timely inauguration of the 17 SDGs, CSRR, WWF China, and CCFA teamed up with United Nations Environment Programme (UNEP) China and the UN-China Sustainable Consumption Partnership to organize the 2015 Sustainable Consumption Week in Beijing (Jaime Webbe, 2015). Perhaps because UNEP's international cooperation with the RSPO was successfully established in 2014 (Jaime Webbe, 2014) and sustainable palm oil has become part of the UN's agenda, from 2016 onward, the RSPO, albeit an observer (RSPO China, 2016), was invited by the CSRR to join the Sustainable Consumption Week every year and hosted educational campaigns to share RSPO's vision in many tier-one and -two Chinese cities. For example, shoppers in the department stores were encouraged to design and create their own scented candles made from sustainable palm oil during the Chinese Valentine's Day. This type of activity allows the participants to create gifts for their loved ones while learning about the problems related to conventional palm oil production and supporting sustainable palm oil consumption (RSPO, 2016a).

Favorable Policy Direction

After China's President Xi JinPing announced the Belt and Road Initiative to expand the ancient trade routes in geographic and thematic scope in 2013, the Chinese government has set its goal to continue its all-round opening up strategy and develop green and environmentally friendly industries (Compilation and Translation Bureau, Central Committee of the Communist Party of China, 2016). In the 13th Five-Year Plan issued in March 2016, the government formulated the blueprint for China's economic and social development from 2016 to 2020 and highlighted that China will actively implement the 2030 Agenda for Sustainable Development.

With the overall policy direction showing a favorable macro economic environment, the local Chinese businesses were gradually seeing more reasons why they have to choose to stand on the same side as the RSPO does. For instance, in 2017, the international consumer goods manufacturer Ming Fai, who specialises in producing high quality five-star travel amenities and bath products, became the first Chinese company to put the RSPO trademark on their product packaging (RSPO, 2018), demonstrating a good example for the local companies to follow suit.

Japan (2012 - 2016)

We chose to draw a demarcation line in 2012 for Japan due to a few reasons. First, during these years, Japan saw a slightly higher growth rate of membership, which might be the result of earlier movements within Japan. At the beginning of this period, Ajinomoto, a Japanese food products giant, also subscribed to the RSPO. Second, there were some notable changes when it comes to environmental issue awareness among Japanese consumers and industries alike. Four impactful events were responsible for this shift, according to most of our interviewees: Great East Japan Earthquake (or Great Tōhoku Earthquake), the Olympic Games, the arrival of the Sustainable Development Goals (SDGs), and lastly, the RSPO Japan Day 2016.

Great East Japan Earthquake

Great East Japan Earthquake is one of the most traumatizing natural disasters in Japan in the current millennium. In the early afternoon of March 11, 2011, a 9.0-magnitude (6.3 Richter) earthquake hit Japan just off the coast of Sendai, the major city in the Northeastern region of Japan. To make matter worse, the earthquake was followed by tsunamis and the Fukushima Daiichi nuclear power plant disaster, where more lives were sacrificed. The series of disasters left more than 15,000 people dead and 3,000 missing (World Health Organization, 2012).

The catastrophe greatly affected the sentiments of the Japanese citizens, rendering them more conscious of the social and environmental issues around them. According to the survey data consolidated by the Ministry of the environment of Japan in the year following the Great East Japan Earthquake, more around 60% of respondents reported that they would like to get more in touch with nature and appreciate biodiversity. Additionally, more than 90% of the respondents answered that it was essential to purchase products that are environmentally friendly (Ministry of the Environment, 2013).

The trend is favorable to the development of the RSPO in Japan and the activities of NGOs in general, as observed by one of our informants: "Western NGO and NPOs are big, and that means they are getting a lot of donation. The donation culture in Japan is incomparable to that...[but] after the Great East Japan Earthquake, they [the Japanese people] kind of became active. I feel like it [environmental awareness] has finally taken root now." (Interviewee 8) Nevertheless, when asked about the awareness of the challenges associated with palm oil, "honestly, I think they [the Japanese consumers] are still *completely unaware*", said Interviewee 8.

Tokyo Elected as the Host City for the 2020 Olympics Games

When questioned about what factors drive the Japanese firms towards adopting the RSPO, almost all of the interviewees involved in the RSPO in Japan mentioned the forthcoming Tokyo Olympics. It all started when Japan's National Olympic Committee submitted an application for Tokyo to be considered the host city for the 2020 summer Olympics to the International Olympic Committee (IOC) in February 2012. In May the same year, Tokyo made it through the first shortlisting (The International Olympic Committee, n.d.).

At this stage, the RSPO already saw an opportunity to boost the expansion of the RSPO in Japan. "We decided to really spend more time into understanding Japan and also see how we can increase membership back in 2012...because in 2012, that's when we know that the Olympic Games will soon be taking place...we needed to start engaging the whole Japan in terms of – how do we then make the Olympic Committee to start to use RSPO as one of the standards for the sourcing code" (Interviewee 3). In September 2013, Tokyo was officially elected by the IOC, winning against Istanbul as the Olympic host city for 2020.

2012 was also the year that WWF Japan started to increase the level of the Japanese industry players' engagement in sustainable palm oil, with the assistance of other organizations – both international and local. "It was from around 2012 that WWF Japan started to organize small-scale gatherings for people to come and exchange their opinions. They also held sessions to share information about what kind of effects palm oil has and scaled up from there" (Interviewee 13).

Green Purchasing Network (GPN) has also been involved in advocating the RSPO in the country since 2015 (Interviewee 12). GPN is a local NPO established to promote green purchasing among governmental entities, consumers, and companies in Japan. The board of directors of GPN is made up of diverse stakeholders such as universities, municipalities, companies, and NGOs, among which are AEON – a retail giant, Ajinomoto, WWF Japan, and Saraya, who serves as one of the representative directors (GPN, n.d.). GPN added the RSPO to its agenda by the suggestion of two of its directors – Ajinomoto and Saraya (Interviewee 12).

The response to the activities promoting the RSPO, however, was not very positive in the beginning. "I remember very vividly that during a few years after 2012, nobody wanted to listen to me. They were extremely indifferent. Their reactions were like, 'what are you doing here?'. But in recent years, their attitudes have been the complete opposite. I'm regularly asked to visit their offices and tell them what it [the RSPO] is all about" (Interviewee 13).

The change in the interest level of Japanese firms is believed to be caused by the fact that the RSPO was to become one of the standards within the Olympic sourcing code. According to an informant, who was one of the special sourcing committee members, the competition for sustainable Olympics started to become visible from the previous summer Olympics. "I think it starts from the Olympics in London when they [the committee] first made concrete sourcing rules for environmentally friendly procurement. In the same way, we have an environmentally friendly sourcing code covering many areas for the Tokyo Olympics, and among that, palm oil is a new thing" (Interviewee 12).

Following the example of the sustainability efforts made by London, in January 2016, the Tokyo Organising Committee for the Olympics Games (TOCOG) issued *Fundamental Principles of the Sustainable Sourcing Code*, clearly stating that the emphasis would be put on environmental conservation and human rights, among other things (TOCOG, 2016). At this stage, the required certifications were yet to be officially announced.

The SDGs in Japan

Another event that supports the adoption of the RSPO repeatedly referred to by Japanese informants is the United Nations' Sustainable Development Goals (SDGs). In 2015, all United Nations Member States adopted the 2030 Agenda for Sustainable Development. The core of the agenda comprises of 17 SDGs, covering a wide range of social and environmental issues such as public health, education, inequality, as well as climate change and biodiversity – both on land and in the oceans (The United Nations, n.d.).

The Japanese government has been working on various measures to promote the SDGs in Japan, such as initiating "Japan SDGs Award", incorporating SDGs into the school curriculum, and using internationally famous Japanese comedian Picotaro in their promotion events (Interviewee 5) (Ueno et al., 2018). The Ministry of the Environment also organized meetings for companies and local governments to exchange information on exemplary SDGs initiatives.

Additionally, Ueno et al. (2018) conducted a survey on 254 firms and organizations, and found that two years after the adoption, 86% of personnel with CSR-related posts were aware of the SDGs; however, the awareness among middle managers and employees in other departments was less than 10%. When asked about the main challenges in pursuing the SDGs, around half of the respondents answered that low social awareness and undefined implementation methods were problematic. The survey results suggest that the only responsive group of people are those whose tasks are directly associated with the CSR, but hardly otherwise.

The Consumer Goods Forum

The Consumer Goods Forum (CGF) also played a part in helping some Japanese firms warm up to the RSPO. Founded in 2009 in Paris, the Consumer Goods Forum brings together CEOs of around 400 member companies comprising of retailers, manufacturers, and service providers worldwide. The CGF's ultimate goal is to bring forward positive change at the global level, as it believes that no companies are big enough to handle it alone. Some of its initiatives deal with issues such as food safety, improving working conditions, and sustainable value chains (The Consumer Goods Forum, 2019). Large Japanese firms are involved in the forum, including a few RSPO members; for example, Kao, Shiseido, House Foods, and Fuji Oil Holdings. Furthermore, Ajinomoto and AEON are not only members but also part of manufacturer and retailer board members, respectively.

Soon after the establishment of the CGF, palm oil, together with soy, paper & pulp, timber, and beef, were included in its sustainability agenda. In 2010, led by Unilever and Tesco, the CGF pledged to realize zero deforestation by 2020, urging its members to commit to the same goal (Wensing & van der Wekken, 2017). Five years later, the CGF issued *Sustainable Palm Oil Sourcing Guidelines*, recommending its members to seek palm oil certification through the RSPO – or equivalent. It also suggests a few KPIs its members deliver, namely making a public commitment, publishing a time-bound implementation plan, and disclosing progress annually (The Consumer Goods Forum, 2015).

Recognizing that Japan was falling behind the European firms in terms of embracing sustainable palm oil, the CGF Japan strove to turn its member CEOs' attention to the issue. In an attempt to accelerate sustainable palm oil uptake in Japan, the CGF Japan focused on palm oil during its annual Japan Day gathering held in April 2016, with a large chunk of event time allocated especially for SPO uptake (Daabon, 2016a), with the representatives of the RSPO member companies such as Kao and Ajinomoto as speakers.

RSPO Japan Day 2016

Believed to be the biggest conference for the RSPO in Japan to date, the RSPO Japan Day was organized by the RSPO and WWF Japan in September 2016 with more than 350 participants. The timing was carefully planned. "With the recent keywords such as climate change, SDGs and ESG emerging, environmental problems had never felt so much like ‘our’ problems. Paired with the Tokyo Olympics...the awareness about palm oil just skyrocketed. We aimed for when it reached the right maturity. And in 2016, that’s when we held Japan Day” said one of the committee members (Interviewee 8).

The members of the executive committee of RSPO Japan Day 2016 are those who were, by then, equipped with a few years of experience with the RSPO, namely Ajinomoto, BCTJ, Seiyu Walmart Japan, CO-OP Clean, Saraya, Kao, Taiyo Yushi, and so on. During the event, Western companies and local companies, palm oil users, as well as supply chain stakeholders, who were already members of the RSPO, came together to share their experiences on their organizations’ visions and why they adopted the RSPO, what were the challenges and how they handled them. The event also covered sessions on practical topics such as certification basics and how to purchase credits. To grasp the thoughts of various Japanese companies at that point in time, we summarized some of the topics discussed below:

Lack of stakeholder awareness

Among the topics, lack of stakeholders’ awareness of the issues surrounding palm oil was discussed by various companies. Larger companies like Unilever Japan and Seiyu Walmart Japan shared with the audience how their employees and suppliers were agitated when their commitments to shift to 100% sustainable palm oil were announced in 2010. For Unilever Japan, *doubling the business size* was also part of the vision (Daabon, 2016b). “In 2010, the commitment just suddenly fell upon us. ‘How do we accomplish this?’ Our employees were half in doubt. I remember that...the ordinary employees, they know very little – if not at all – about what kind of environmental problems we are facing. We started from that kind of situation” (Unilever Japan) (Daabon, 2016b).

To alleviate the frustration, Unilever Japan started from providing education programs, as well as distributing a monthly newsletter about the latest environmental movements and what the company is engaged in, together with sales performance. “It has been five years since then. And in reality, sustainable brands perform better. The employees start to realize it. It was a slow process, but finally, it [sustainability] seems to permeate their awareness.” (Unilever Japan) (Daabon, 2016b). Seiyu Walmart Japan has a similar story, “Before we talk about the environmental impact of palm oil or palm kernel oil, they [the employees] didn’t even know about their existence...not even those within the sustainability team. That is when we feel that we need to educate the whole company first...However, we ourselves are also amateurs, that’s why we invited WWF to give presentations – not only to our employees but also our suppliers.” (Seiyu Walmart Japan) (Daabon, 2016b).

Cost

Companies, albeit indirectly, admitted that without consumers' demand for SPO, higher costs that entailed made it even more discouraging for them to keep purchasing CSPO or credits. "There is indeed the cost problem, and I think it is essential for our customers to understand what the RSPO is."(Taiyo Yushi) (Daabon, 2016b). "At CO-OP, we are trying really hard, but the awareness [of the RSPO] on our consumers' side is deficient...I think it is crucial to inform our consumers and spread the awareness within the society" (CO-OP Clean) (Daabon, 2016b).

Middle players within the supply chain were also suffering to meet the needs due to their cost sensitivity. "We sell [palm oil] to various players along the supply chain, but when it comes to the processors...there are many companies who only manage to secure 2-3% profit *before tax*. We cannot force them to buy RSPO...at least it's 2% additional cost...and if their customers don't let them pass it on, it will damage their businesses...although they support the RSPO's vision, they cannot afford to throw their businesses off balance" (Mitsui and Co., Ltd) (Daabon, 2016b).

Larger companies like Kao had a different problem when it comes to cost: "I'm fine with fluctuation of palm oil price, but I find it bizarre that the premium [credit price] also fluctuates...and then there's a tax on the premium...We are competing on the same ground [with other companies]...and, for now, we bear all the costs...Then when we go to the retailers and ask for the price increase, they will flatly refuse"(Daabon, 2016b). CGF Japan representative responded to that by suggesting that the entire Japanese supply chain actors come together and negotiate with the RSPO. "We have powerful members within the CGF, like Unilever, L'Oréal, and P&G...who can carry out what they decided...but in Japan, we don't have companies of such a scale...why don't we use this opportunity to create something like the Roundtable of Japan...and cooperate?" (Daabon, 2016b).

GPN's representative added that the efforts by all parties along the supply chain would be in vain if the consumers did not choose the product. As a representative of the consumers, he suggested that "since the Great East Japan Earthquake and Kumamoto Earthquake, more and more consumers are eager to help through their purchases. I believe the consumers are willing to buy if they can relate to the story behind your efforts...I would like you to 'shower' us consumers with information...We want to change, so let's make the situation that allows for the change to happen *together*" (GPN) (Daabon, 2016b).

Supply chain complexity

One prominent issue raised by the panelists in RSPO Japan Day event concerned supply chain complexity in Japan. The supply chain was especially prohibiting for the food industry and palm kernel oil derivatives due to the existence of multiple players. "In Japan, we are unique in the sense that we have numerous stakeholders in the food industry. As you know, we have rich local food cultures, and there are as many businesses to accommodate that" (Ajinomoto) (Daabon, 2016b). Ajinomoto representative illustrated with an example when the company dealt with mad cow disease 15 years prior: "We tried to ensure food safety, and we quickly found out that there were ingredients that we couldn't trace the supply chain all the way...Japanese food industry is that complex".

According to CO-OP Clean, the toiletry and cosmetic industry faced a similar challenge when it comes to palm kernel oil derivatives: "There *is* raw material [certified palm kernel oil], but *not* the ingredient that we want. That is because it needs to go through many processing steps" (Daabon, 2016b). Pointed out by Taiyo Yushi, the inaccessibility to certified ingredients also had to do with company's size [2]: "In our ACOP report, we said that we would try our best to reach 100% [certified palm oil], but with business scale like ours, there's a hurdle in that we *cannot* buy the [certified] ingredients" (Daabon, 2016b).

Despite various problems with the RSPO in Japan being brought up and discussed, not pursuing the RSPO did not seem to be an option. The notion that the upcoming Olympics would bring the world's attention to Japan was sprinkled throughout the entire event by the panelists. The message of the event was clear and was precisely captured in Darrel Weber's closing remarks: "The panel keeps on using the word collaboration. I think that's the keyword. The wisdom is already here. What I expect, I hope, is for you to share the wisdom freely among each other, and then use the Olympics as an inspiration, to make it much closer, much stronger collaboration..."(Daabon, 2016b). The experienced companies were calling for more supply chain and industry players to join forces with them to advance the RSPO agenda in Japan, with the Olympics as the immediate goal.

Summary of the Second Stage

At this stage, commonly observed in both countries are the events that supported the development of the RSPO, such as the SDGs, the Chinese government's green Belt and Road Initiative, and the decision to hold the Olympic Games in Tokyo in 2020.

Additionally, WWF started to take the leadership in propelling forward the RSPO agenda in Japan, while the role of Saraya, the pioneer, became less high-profile. In both China and Japan, WWF and the RSPO took the opportunities of events to leverage their activities within both markets with the help of local organizations and amplified the awareness of the RSPO

[2] Taiyo Yushi's sales for FY 2019 was 16 billion JPY (approx. 150 million USD; 1 USD = 106.31 JPY) – https://www.taiyo-yushi.co.jp/about/

initiative. They organized events and involved the advocates in the markets, both local and international, to share best practices and problems faced while advancing sustainable measures. During RSPO Japan Day, of which video record was available to the public, we observed that the advocates of the RSPO deliberately created the demand for the RSPO by linking the events such as the Olympics and SDGs with sustainable palm oil. In both countries, the supporters of the RSPO also called for local networks or alliances to be formed through the organized events.

In this period, the Western MNCs had mostly achieved their initial commitments and were in the middle of stepping up their efforts. They were part of the participants in the events, most likely to inspire or pressure local companies in both markets.

5.3 Third Stage: Taking Off

China (2018-2020)

At this stage, aggregated efforts in China from the previous period have slowly started paying off. The number of RSPO members in China increases rapidly. Meanwhile, some collective initiatives, such as CSPOA, started to emerge among stakeholders to foster stronger connections and seek solutions while trying to realize their sustainability commitment. Insightful business cases gradually surface at this stage as well. In 2019, UNDP China held a conference named "Dialogue on Sustainable Palm Oil in China" and invited TianJing Julong Group to share their experience of investing in Indonesia in light of the increasing foreign direct investments of Chinese enterprises overseas. However, one should keep in mind that these efforts are to a very large extent created by the companies who have business activities in the world of outside China.

Domestically speaking, the progress is taking place relatively slowly. We could not observe much proactive efforts from more influential Chinese private sector players to mobilize their resources and commit to the RSPO's vision, except for big Chinese corporations who have developed stable CSPO supply chain relationships with MNCs from the West. With only a favorable atmosphere ambiguously hinted by the government's high-level policy and the support of industrial associations, we can yet to judge whether or not RSPO can continue to exert the same effects on more local Chinese companies and consumers, once all the cards linking to the outside world were played.

The Establishment of CSPOA

During the Second RSPO China Forum and the 2018 China Sustainable Palm Oil Supply Chain Forum in July 2018, WWF China, RSPO China, and CFNA helped create the "China Sustainable Palm Oil Alliance" (CSPOA) alongside six founding members: AarhusKarlshamn (AAK), Cargill China, HSBC, L'Oréal China, Mars China, and MingFai Group. Unlike the "Network for Promoting Sustainable Palm Oil in China," CSPOA goes beyond merely spreading the words but further serves as a platform to accelerate the pace in which stakeholders like traders, processors, retailers, and consumer goods manufacturers collectively prioritize making CSPO the default choice throughout their supply chain (RSPO, 2019b).

According to one of our interviewees, the main difference between committing to CSPOA, as compared to only the RSPO, is that "CSPOA members will voluntarily promote CSPO in public, be it through their branding and marketing campaign or adopting the RSPO trademark on their product packages" (Interviewee 2). This setup is very similar to that of the North American Sustainable Palm Oil Dialogue. Officially, CSPOA is not part of the RSPO. Nevertheless, it is a mutual-help group that aims at connecting Chinese RSPO members to educate themselves, build momentum, and accelerate cooperation with other members to increase the uptake of sustainable palm oil. Its goal is to assist companies in China to deliver on their sourcing commitments so that members can overcome shared challenges in achieving 100% Certified Sustainable Palm Oil in the country. Given the members in "CSPOA now consists mostly of MNCs, the alliance is working towards including more members, especially the Chinese members" (Interviewee 11). When the number of members reaches a higher level, the alliance will then further develop some more in-depth projects and mobilize their local impact (Interviewee 11).

In the third RSPO China Forum taking place in 2019, another three new CSPOA members - Musim Mas, Barry Callebaut, and CDP - came on board . Among the three, CDP is the first non-business player in the circle. With CDP being part of CSPOA, its contribution as a collaborative non-profit organization using a clearly defined business approach highlights the growing attention from the international investors' side into the Chinese market. Behind CDP, there is a group of around 500 institutional investors worldwide, including the likes of HSBC Global Asset Management. Headquartered in the UK, CDP runs a global disclosure system and works with mainly two types of stakeholders, the investors and the large-scale buyers, such as Walmart. Each year, CDP hands out three types of standardized questionnaires concerning climate, water, and forest to the businesses in which the investors funded and ask them to disclose relevant information. In recent year, they also hand out surveys considering the supply chain

Firms' disclosure or non-disclosure on their environmental impacts indicates critical criteria and provides data for investors to evaluate their investment selections.

In case firms struggles to reach investors' expectation, CDP offers consulting services to help firms establish sustainable policies and conduct monitoring activities. According to our informant, the RSPO has long been an important concern in CDP's questionnaire as "RSPO's recognition among industrial actors is very high" (Interviewee 15). Looking at the current trending topics regarding *Green Finance* and *ESG investment* in China, CDP noticed that local and international investors as well as western buyers are gradually inviting their Chinese counterparts to fill out the questionnaire as a means of reaching full supply chain transparency. Despite the direct impact of Chinese investors on the RSPO's decision-making process has yet to be observed (Interviewee 3), local Chinese investors have slightly began to take sustainable palm oil into part of their investment consideration when it comes to zero deforestation.

For many MNCs, it is intuitive to join CSPOA as they are already RSPO members and implementing similar global sustainability policies in China as other MNCs do. As "one of the very important functions of the RSPO is [that] it builds the foundation of the traceability" (Interviewee 6), knowing which companies are fully aligned with the MNCs themselves in terms of sustainability standards will allow them to find reliable partners when they want to solve the efficiency and transparency issues due to supply chain complexity. Local suppliers, who are willingly to learn about RSPO due to compliance codes at first, are now thanking the MNC to have taught them about the RSPO system, as our interviewees revealed "...one of our suppliers in China...were sharing with me '...when Mars firstly come to us asking for this [RSPO] traceability, we feel...it's too difficult...Why do we want to do it?...But now for us...actually more and more customers [from Europe are] asking us for the same thing...[and] we already know what do'"(Interviewee 6).

The Consumer Goods Forum China

Similar to the movement in Japan, in January 2018, the leading global consumer industry association Consumer Goods Forum (CGF) unveiled its new China Representative Office (CGF China) in Shanghai, aiming to include more Chinese voices in the development of global retailing industrial network (CGF, 2018). Before the CGF set up its regional office in China, some impactful Chinese enterprises are already part of it, for instance COFCO and Liby. However, being part of the international CGF circle does not mean that the two companies have timely altered their production activities when the RSPO was first endorsed by the CGF in 2010. Although COFCO later on became the RSPO member in 2013 and promised to source 100% CSPO by 2025 (RSPO, n.d.-b), Liby, a leading brand of laundry care product in China, is still not part of the RSPO up until today. Even when the company was attacked by the GreenPeace in its 2014 Tiger Challenge campaign, Liby replied to Greenpeace East Asia that it does "not consider deforestation an environmental risk to its palm oil supply chain" (Greenpeace, n.d.).

In 2018, CGF China stayed focused on its Global Food Safety Initiative (GFSI) in which COFCO and another Chinese agribusiness gaint, New Hope Liuhe, are part of. In 2019, CGF

China decided to establish a China Board of Directors, which they learned from the model of an existing regional Board in Latin America. The new China board was co-chaired by the CEO of a Chinese e-commerce giant Alibaba Group, and the Chairwoman of New Hope Liuhe (CGF, 2019).

However, when asked about how Alibaba and other Chinese e-commerce actors play a role in pushing forward the sustainable palm oil agenda in China, all of our informants replied that they cannot see much of the platforms' effort in promoting it, primarily due to the lack of end consumer awareness. On top of that, "the consumer culture in China is different from that of Europe and America." "..in that Chinese consumers are more used to breaking news related to visible good deeds of a firm, rather than a positive long-term oriented corporate behavior" (Interviewee 10). Therefore, trying to convince the Chinese consumers at the time, when palm oil is still mainly an invisible material in the ingredient table and perhaps considered unhealthy, are also some of the reasons why the label and name of the RSPO doesn't ring a bell among the Chinese.

The UN Convention on Biological Diversity COP15

Before the COVID-19 outbreak earlier this year, the world's largest and most significant summit on biodiversity, the UN Convention on Biological Diversity (CBD), was planned to take place in Kunming, China, in October 2020. According to the original plan, CBD's pivotal 15th meeting of the Conference of the Parties (COP 15) will review the achievement and delivery of the CBD's strategic plan for biodiversity 2011-2020 and agree on the aims for the next decade. Many of our interviewees mentioned this events when we conducted the study and pointed out that the RSPO should definitely seize as an opportunity to campaign on.

To prepare for this gathering, the China Council for International Cooperation on Environment and Development (CCICED), a high-level international advisory body approved by the government of China, published multiple reports last year, such as the *Post 2020 Biodiversity Report* as well as *Green Belt and Road Initiative (BRI) and 2030 SDGs*, to showcase China's determination in claiming a leadership position on realizing sustainable development. Despite all the high-level insights, no specific section in these reports is directly dedicated to formulate industrial policy for sustainable palm oil, such as subsidies for sustainable palm oil procurement.

Considering UN SDGs and bio-diversity conferences are on heating topics in China at the moment, many informants actually acknowledged that now may be a good timing to lobby the government, given that environmental sustainability is a development priority. However, the possibility of success remains unknown in that the government still has many other topics in its agenda. It is less likely that efforts will be put into palm oil any time soon, since "they don't have a lot of interest in the [palm oil] market" (Interviewee 17) and it is not a critical local problem.

According to our informant from a certification organization, among the businesses who are certified in China, 95% are due to their clients' requirement and 5% are following their parent companies' policy. Without coercive regulations, passive Chinese firms are not likely to react to the call from the RSPO unless they have direct interests with other RSPO members. Judging from the status quo, we believe that the RSPO still has a long way to go to include all the Chinese enterprises.

Japan (2017-2020)

At this stage in Japan, the RSPO enjoyed a sharp rise in memberships, and much stronger sustainable palm oil network, thanks to the RSPO Japan Day. During this period, the RSPO also welcomed some of its first Japanese retailer members who declared to use 100% SPO for their private brands (Interviewee 5). One of the retailers is AEON, whose announcement shook the Japanese market (Interviewee 12). Some of the new members in this period are also the long-awaited food manufacturers, like the inventor of instant noodles, Nissin Food Group. Moreover, the Olympic sustainable sourcing code was released in 2018, spurring even more media coverage and actions by the Japanese firms. In order to facilitate the increasing interest in becoming the RSPO members, the RSPO opened its Japan office in 2019.

In this section, we will explore the participation of food companies and the development of other factors that contributed to the drastic expansion of the RSPO in Japan outlined above, as well as the transformation of the RSPO Japan Day into a concrete network.

Japanese Food Manufacturers Joined the RSPO

In spite of using 80% of palm oil imported into Japan, food manufacturers, except for Ajinomoto, joined the RSPO much later than the toiletry and cosmetics makers. One of the reasons shared by our interviewee is the difficulty in preparing the food supply chain for CSPO. "Before we join, we had to make sure that the oil processor and refiners are ready. It wouldn't mean anything if we join, but we cannot procure it [CSPO]...In Japan, the preparation for procurement was completed around the year 2017, and that made it easier for other [food] companies to join [the RSPO] as well" (Interviewee 7).

Another reason is that the consumers' awareness was not as high before this period. "Around 2017 is when the awareness of the environment slowly changed...When there's a big event like the Olympics, the change sped up, and that's when we decided to join" (Interviewee 7). In fact, Nissin Foods Group's Hungarian and American subsidiaries joined the RSPO as early as

2013, before the Japanese headquarters did in 2017. The early moves by Western subsidiaries of Japanese instant noodle manufacturers were also believed to be triggered by the pressure from the consumers in the markets (Yeo, 2019). It is evident when looking at the CSR page of Toyo Suisan, owner of Maruchan instant noodle brand. The only topic covered in English is about the RSPO.

Campaigns against larger companies by international NGOs also put pressures on smaller-scale Japanese food companies to join the RSPO, as shared by an interviewee who works in such a company: “We started [the RSPO] from a risk management perspective...other food companies were attacked by aggressive [international] NGOs. Questionnaires were sent to them, and they didn’t manage to handle it and got boycotted. Looking from the side, we thought they might come our way as well, so we hurried up and started our efforts” (Interviewee 5).

Nevertheless, the presence of these large food manufacturers is seen as a very positive sign for the future of the RSPO in Japan that will let more and more people learn about the RSPO. “It’s really great for the RSPO future when a company like Nissin put the RSPO mark on their Cup Noodle” (Interviewee 12). “Indeed the newspaper and magazines write about it...that Nissin is engaging in this activity [adotping the RSPO]” (Interviewee 7)

AEON’s Sustainable Palm Oil Commitment

Mentioned several times in the earlier section, AEON is an enormous retail company headquartered in Japan with a number of outlets abroad. In fact, AEON is ranked the largest retailer in Japan and 13st largest worldwide (Japan Agricultural Communications, 2020). The retail giant became an RSPO member in 2018 and now has one personnel, each represented in the RSPO Board of Governors and Alternate Board of Governance of the RSPO (RSPO, n.d.-a).

The motivation for AEON to engage in sustainable palm oil came from two sources, as observed by an informant. First, because they are part of the CGF: “Both AEON and Ajinomoto are the CGF’s members, and the CGF strongly urged their member to do this palm oil right...so they were in the situation where they cannot *not* do it”. The second reason was the Olympics: “They announced their goal of undertaking the RSPO by 2020 when they knew the Olympics were coming...they knew palm oil was going to be included in the sourcing code in advance, so I think the Olympics were the reason they embarked on it [the RSPO]” (Interviewee 12).

The company announced *Formulation of Aeon Sustainable Procurement Policy and Sustainable Procurement Goals for 2020* on April 19, 2017. The news release outlined how the new procurement policy is aligned with the company’s principles “Pursuing peace, respecting humanity, and contributing to local communities” and the SDGs. Among other materials and ingredients such as livestock and paper, palm oil is one of its targets. It vowed to aim for 100%

use of certified palm oil, RSPO, or equivalent, for its private brands (AEON, 2017).

This is a major blow to the Japanese food industry, as AEON's private brand, "TOPVALU", boasts more than 3,500 food products. The impact is most likely going to spread beyond their private brand. "When they make this a condition for business, suppliers are left with no choice but to satisfy the requirements...Plus, when a big retailer like them adopt it [the RSPO], other retailers will start to ask for RSPO certified products too" (Interviewee 5). Moreover, the announcement by AEON is expected to have a lasting impact in the Japanese society: "The Olympics only lasts two weeks, and the targets [of the sourcing code] are limited...but when AEON says it will go 100% [CSPO], that means forever...they [the suppliers] cannot say it's not their problem anymore" (Interviewee 12).

Tokyo Olympics Sustainable Sourcing Codes Released

The consideration to add sustainable palm oil was mentioned for the first time in July of 2017 by the Sustainable Sourcing Code Working Group of the Tokyo Olympics 2020. The working group comprised of core members from various institutions such as universities, NGOs; including WWF Japan and organizations within the Tokyo Metropolitan Government (TOCOG, n.d.).

After a few rounds of discussions among the working group members, sustainable palm oil was added to the sourcing code of the Olympic Games for the first time in history (Interviewee 12) in June 2018. "London Olympics were very much about using the FSC certified timber. For the Tokyo Olympics, we wanted a 'special' sourcing material for our games...and we are already doing sustainable timber...so we made sustainable palm oil 'the special feature' of the Tokyo Olympics sourcing code" (Interviewee 12).

The working group adopted not only the RSPO but also the MSPO and the ISPO. The TOCOG reasoned that the inclusive decision derived from"a perspective of supporting the efforts of wide-ranging palm oil producers including small scale farmers for the improvement of their production sites" (TOCOG, 2018, p. 4). However, in opposition to the decision, WWF International and WWF Japan requested the International Olympic Committee to demand the TOCOG to disclose the procurement results and to conduct an additional evaluation in a letter to the organization's president in January 2020. WWF argues that the sourcing code drafted by TOCOG is "far below global best practices" (p. 1) for a few commodities. As for palm oil, WWF criticizes TOCOG for accepting ISPO and MSPO, maintaining that these two standards only ensure legality but not sustainability (WWF International & WWF Japan, 2020). TOCOG refused to revise their decision on the same day (The Japan Times, 2020).

Realizing that there were many Japanese companies who wanted to use the RSPO trademark on their products by the Olympic Games, together with Japanese companies' requests for the

RSPO Japan help desk, the RSPO hired a Japanese employee in April 2019 and established an office in June the same year. By having an office in Japan, the RSPO aims to urge the Japanese members to go beyond just being registered as a member and help facilitate the uptake of SPO (Interviewee 9).

RSPO Japan Day to JaSPOC and JaSPON

After the RSPO Japan Day in 2016, sustainable palm oil conferences were held under the name of Japan Sustainable Palm Oil Conference (JaSPOC) in 2017 and 2018. The supporters of the events were the same companies who were involved in the RSPO Japan Day with a few new additions, many of those from the food industry, such as Nissin Foods Group (the inventor of instant noodles), Meiji Holdings, and Morinaga Milk – high-profile food companies. However, unlike Japan Day 2016, both events did not involve the RSPO as part of the organizers.

JaSPOC held in November 2017 focused on “How to procure palm oil towards 2020”. The conference covered similar issues featured in Japan Day 2016; however, special sections concerning SDGs and the Olympic sustainable sourcing codes were added, although the RSPO was not included in the sourcing code at the time of the event. Among the RSPO old-timers, AEON shared their procurement policy and, once again, emphasized their commitment to palm oil to the public (GPN, n.d.).

As for JaSPOC 2018, the scope expanded further to discuss ideal palm oil procurement post Olympics, annexing issues on smallholders, and human rights. During the events, Kao made an announcement on the future establishment of JaSPON or Japan Sustainable Palm Oil Network. The pioneer members were made up mostly of the regulars such as WWF Japan, Control Union, Saraya, BCTJ, Ajinomoto, Taiyo Yushi, Shiseido and GPN (Kao, 2018)

JaSPON was officially founded the following year in April with 18 founding members, with WWF Japan taking care of administrative works (WWF, 2019b). AEON and Nissin Foods were among the members not revealed earlier. The member structure of JaSPON is made up of three pillars: directors, ordinary members, supporting members, and observers. As of November 2019, JaSPON has 46 members from various industries and positions in the supply chain, with the Ministry of the Environment of Japan as an observer (WWF, 2019a). Nonetheless, not all members of JaSPON are the RSPO members.

JaSPON serves as a space for companies in different industries to exchange ideas and work hand in hand to facilitate the procurement of sustainable palm oil in Japan through various activities. JaSPON’s activities are executed by three working groups: 1) additives and derivatives workgroup; focusing on solving procurement-related problems 2) certified product price optimization workgroup; investigating the supply chain and unveil cost structures 3) event workgroup; planning events, such as JaSPOC, to spread the awareness of sustainable palm oil and the RSPO.

Although the activities that JaSPON is going to carry out are still in the planning stage, many informants were in favor of the establishment of JaSPON for many reasons. First, it helps firms learn from each other what the RSPO is as the support from the RSPO side is still insufficient(Interviewee 16, Interviewee 5). Second, it increases the Japanese companies' negotiation power to the supplier and the RSPO (Interviewee 18, Interviewee 7, Interviewee 16). Third, it creates an atmosphere of collective action, which is crucial in Japan, as pointed out by an interviewee: "Japanese people do not like to stand out. It's good to be the same...the choice of standing out entails responsibility. What if you get criticized? Trying our best not to get noticed is our nature" (Interviewee 13).

Summary of the Third Stage

Thanks to the efforts earlier, the interests in the RSPO in both countries became visible in the sharp increase of members. Sustainable palm oil networks were officially launched in the two markets – CSPOA in China and JaSPON in Japan – strengthening the connections between the supporters of the RSPO. Both networks share similar sets of goals: to disseminate information and to join forces to increase the uptake of CSPO.

Additionally, at this stage, with the participation of CDP in CSPOA, investors also helped put pressure on Chinese firms to become more committed to the RSPO, which may have contributed to the increase in Chinese memberships. However, whether other factors have any effects on the Chinese market remain ambiguous. In contrast, the signals were very clear in Japan with the largest retail chain committing to using 100% certified oil by 2020, the participation of large food companies, and the RSPO being officially endorsed in the Tokyo Olympics sourcing code.

Survey Answer

This survey data was collected by Gallemore & Jespersen (2019a) in 2019, which is during the last stage in both China and Japan. This data set is not representative of the entire population as it is based on voluntary response of the RSPO members in the two countries and not all respondents finished the entire survey. Therefore, we are only able to present the analyzed findings of 40 Chinese companies and 80 Japanese companies, meaning the number of survey respondents is 27% of the entire RSPO member population in China, and 40% in Japan. This result in itself slightly signals once again different levels of engagement of the members from China and Japan in the RSPO activities.

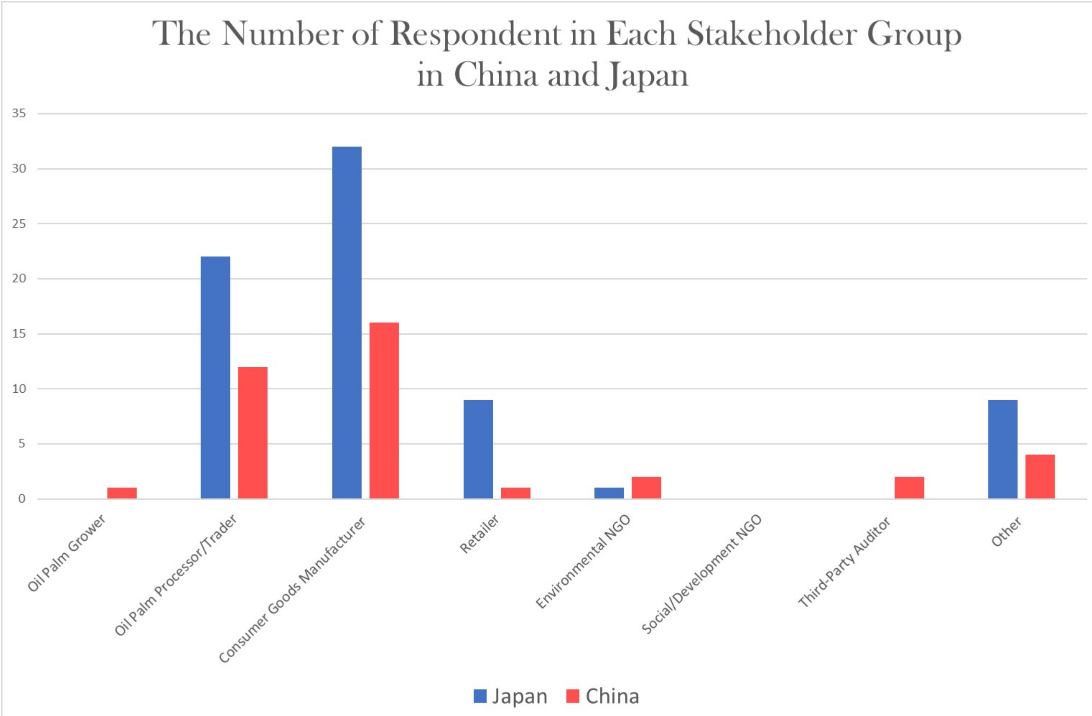


Figure 5.2: The number of survey respondent in each stakeholder group in China and Japan
Source: Gallemore & Jespersen (2019a)

As apparent in Figure 5.2, most survey participants belong to consumer goods manufacturer, followed by oil palm processor/trader for both countries. There is a slightly larger proportion of Japanese participants representing retailer than Chinese participants. All in all, this data set highlights that most respondents are from the middle and downstream supply chain, which is not surprising given that both China and Japan are primarily consumer countries.

For Chinese firms, the answers for most, second most, and third most important reasons comprise of similar elements (see Figure 5.3). Persistent choices in all levels are to respond to customer's requirement, support the uptake of sustainable palm oil, signal sustainable practices to the market, access new market and access knowledge on sustainable palm oil. For the most important reason, requirement by customers covers the largest areas. Among the second most important reasons, interestingly, we observe some proportion of pressures by investors. Notably, responding to NGO campaign was *not* among the reason to join the RSPO for any of the Chinese participants.

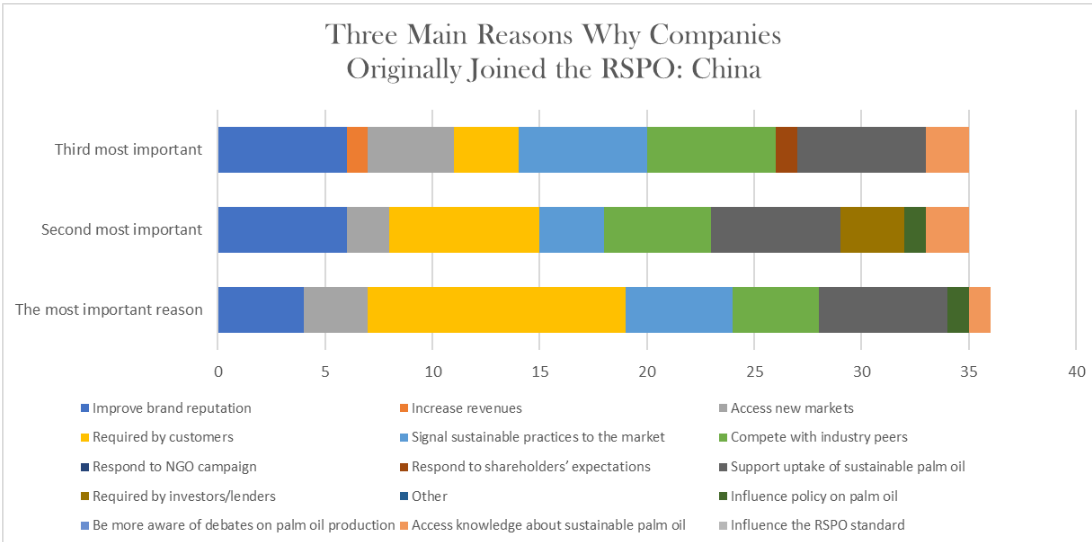


Figure 5.3: Three most important reasons for joining the RSPO ranked by Chinese survery participants
Source: Gallemore & Jespersen(2019a)

Answers provided by Japanese respondents 5.4 are made up of more diverse answers than the Chinese firms, and answers for different level of importance also vary to a greater degree. Likewise, the requirement by customers also tops the most crucial reason for joining the RSPO, followed by supporting the uptake of sustainable palm oil. The second most important reasons are comprised primarily of improving brand reputation, responding to shareholder's expectation, signalling sustainable practices and being more aware of debates on palm oil production. As for the third most important reasons, responding to NGO campaign and influencing policy on palm oil account for most of the answers. To influence the RSPO standard, access knowledge about sustainable palm oil, and respond to requirement of investors/lenders are the least important reasons for the Japanese companies.

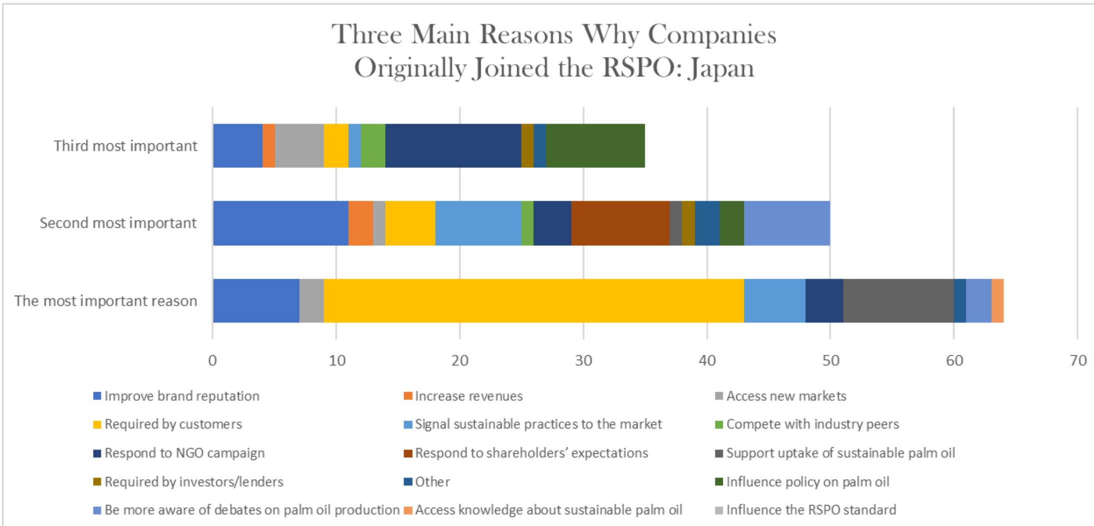


Figure 5.4: Three most important reasons for joining the RSPO ranked by Japanese survery participants
Source: Gallemore & Jespersen(2019a)

From the data, it is obvious that both Chinese and Japanese firms face intensive pressure to join the RSPO by their customers. However, the pressure seems to effect the Japanese firms more significantly, as it covers a larger area in the most important reasons. The survey data also shows that NGOs are more effective in influencing the Japanese companies than the Chinese ones. Market access seems to be more important for among the Chinese respondents than the Japanese counterparts. Likewise, competing with industry peers is also a considerable motivation for the Chinese companies. Lastly, investors exerts more visible on the Chinese firms compared to minimal impact seen from the response by Japanese participants.

The survey data compliments our qualitative data in the sense that, most companies partake in the RSPO initiative in response to their customer's requirement, and the NGOs campaign in the case of Japan. The answer on investor influence and market access for Chinese firms also matches with the quantitative findings outlined earlier. However, although observed in some cases in Japan, the extent of genuine interest in supporting the uptake of sustainable palm oil exceed our expectation. Competition among industry peers for Chinese firms as well as meeting shareholders' expectation for Japanese firms are also two new findings related to why they join the RSPO.

This data set has a few limitations to keep in mind. First, the survey was conducted in two different languages, therefore some nuances could be lost in translation and affected the result. Second, cultural difference could have affected the choice of answers. Third, as mentioned above, the survey was only answered by a limited proportion of the entire RSPO member population, therefore it cannot be assumed to have captured the whole picture of both markets.

5.4 Outstanding Problems and the Future of the RSPO

Albeit the development so far in both countries are looking positive, it is far from being problem-free. In this section, we will outline some of the outstanding problems in China and Japan currently faced by the local players associated with the RSPO. These problems, if left unresolved, can potentially undermine further development of the RSPO.

The RSPO Does not Ensure Zero Deforestation

As discussed in the Literature Review section, the RSPO is still criticized for not banning deforestation entirely. Indeed, the target of this criticism is not limited to the RSPO itself, but also the companies that rely on the RSPO as part of its sustainability policy.

In Japan, one such company is Kao Corporation. In 2013, Greenpeace made a campaign called *the Tiger Challenge* against companies who are part of the CGF but had not promised zero deforestation, despite the CGF's commitment for zero net deforestation by 2020. At the time the NGO called for public action, it categorized Kao as a moderately non-forest friendly company, given that the company had no deforestation policy in place (Greenpeace, n.d.).

This left Kao puzzled because not only had the company been an RSPO member, but also, according to WWF's palm oil buyers scorecard, the company received a relatively high score of 7 out of 12 (Fujita, 2014). After a year of negotiation with Greenpeace, Kao issued procurement guidelines for sustainable palm oil and paper/pulp in July of 2014, promising to contribute to no deforestation by 2020 (Greenpeace, 2014).

For global companies, conforming to the RSPO standards alone is proven to be less and less sufficient. If the RSPO continues to be seen as an inadequate certification for truly sustainable palm oil and fail to protect companies from criticisms, companies may feel the need to turn to rely on other solutions.

Lack of Stakeholder Awareness Persists

Organizations in China and Japan have been putting extensive efforts to raise stakeholder awareness, and according to a number of interviewees, some minor improvements are taking place (Interviewee 8, Interviewee 2, Interviewee 18). "During these couple of years, we get some surveys from high school and university students...There are also more instances where we are interviewed about the RSPO" (Interviewee 18). "When you read the comments on social media posts of a local Chinese NGO, China House, talking about how orangutans lost their homes, you can see from the replies that the public is gradually learning about this issue...we can see the changes are taking place step by step" (Interviewee 2).

However, at the time of writing, consumers choosing products because of the RSPO certification is still far from reality. "If you say this RSPO certified product is 200 yen, and the non-certified one is 100 yen, without a doubt, Japanese consumers will take the cheaper one. That's because the 100 yen product is also made in Japan, so food safety-wise, there should be no problem" (Interviewee 1). At best, even though younger generations agree to the RSPO's vision and are willing to pay, "their buying power is just not as strong as the older generations to constantly cover the extra associated costs" (Interviewee 10).

When firms are not awarded for their efforts, it means they will need to sacrifice their bottom-line to stay in the competition until the consumers agree to pay more for the environment. Companies admitted that low return on investment is a challenge (Interviewee 7, Interviewee 4). "We know that the higher costs that entail cannot be helped. But food companies like us sell products with a price tag of one dollar or one euro per unit. Any increase in ingredient costs affects us a lot" (Interviewee 7). "It is not only the membership costs or certification costs that you need to consider, but also all the long-term operational costs that one has to invest [to fulfill all the RSPO P&Cs]" (Interviewee 10).

Low awareness of palm oil in general hinders the decision to pursue sustainability within an organization. "[To adopt the RSPO] I cannot avoid collaborating with others in my department [CSR] and other departments like procurement. But first, I need them to understand [the RSPO], and the hurdle for that is quite high" (Interviewee 5).

The RSPO Trademark Logo

Partially contributing to the lack of awareness is the rarity of the RSPO logo being used on products – even the certified ones. The reasons why the RSPO trademark is not utilized on packages are manifold. First, palm oil is only a minor ingredient in most products. By drawing attention to a minor ingredient like palm oil, producers, especially multinationals, expose themselves to the risk of being questioned about other ingredients too (Interviewee 14, Interviewee 13). "So, I've got certified sustainable palm oil. But what about my sugar? What about my flour? What about, you know, what about all the other ingredients?" (Interviewee 14).

Second, the RSPO trademark is not communicative about what it represents compared to other eco-labels. "There's nothing about it. It has what people term 'the spider.' And that it has RSPO. That doesn't explain anything to anybody...[For FSC], it's a tree with a tick...you don't have to work it out. It tells you, right?" (Interviewee 14).

Third, there are many rules firms need to follow to be allowed to use the trademark, which is especially problematic in Japan. “The supply chain scope that the FSC covers is vastly different from the RSPO. For the RSPO, the requirements apply to warehouses and carriers, and the system in Japan is extremely complicated” (Interviewee 13). As suggested by a representative from Japan, in order to get more Japanese companies on board, the RSPO should come up with a more flexible set of rules that is compatible to a complex market like Japan, without compromising the quality of the certification (Daabon, 2016a).

In China, the country has its own unique challenge when it comes to eco-labels. Apart from the labeling rules the RSPO needs to meet, the Chinese consumers often have to distinguish pervasive fake labels and logos in their daily lives and they “tend to be even more cautious than Western consumers. So [for consumers in China] they carefully think about whether this [eco-label or logo] is trustful or not, whereas in Western contexts... consumers just see, okay, if there’s a label, maybe that’s a good one” (Interviewee 17).

Given the fact that most CSPO used in China is directed towards the MNCs, who usually do not put the logos on their products, or export-oriented manufacturers, chances are low that the RSPO trademark can be found on the normal Chinese supermarket shelves, not to mention to be aware of it.

Lack of Governmental Support

In both countries, more comprehensive support from the government is what informants think is necessary to push forward the RSPO agenda in their respective market. For Japan, although the Olympics sourcing code was co-created with the Tokyo Metropolitan Government’s representatives, the governments’ contribution in the development of the RSPO in other aspects have been perceived to be minimal by the interviewees. For China, even though the industrial associations linking with the Ministry of Commerce, CFNA and CCFA, have recognized sustainable palm oil to be the way forward, the government does not seem to be particularly interested in regulating or subsidizing the procurement of this niche commodity.

A few interviewees mentioned the Japanese government’s unwillingness to change the requirement within Food Labeling Standards. In Japan, palm oil used in products is still labeled as vegetable oil, which makes raising the consumers’ awareness difficult. “I used to go and ask the Consumer Affairs Agency whether they would change the labeling regulation, and what they said was there was no consumer demand for it”. This links back to the lack of consumer awareness discussed earlier, leading to a vicious cycle.

Some industry players also proposed that the Japanese government should provide tax benefits to the import of sustainable palm oil (Daabon, 2016a), or put its focus solely on sustainable palm oil certification instead of accepting any standards like the MSPO and ISPO (Interviewee

16, Interviewee 9). However, no change in the stance of the government has been observed so far.

According to an interviewee, whose organization has a deep connection with the government, the lethargic response is due to the fact that the RSPO does not fit well in any of the government's functions. "Palm trees are not planted in Japan...and the Ministry of Agriculture, Forestry and Fisheries is not there to support foreign produce...the Ministry of the Environment, they do not deal with commodities directly, and that is why they cannot be of much help...they do think it [the RSPO] is a good thing...but there is no governmental departments that can give a concrete support" (Interviewee 12).

In the Chinese context, it is apparent that the government plays a vital role, as one of our interviewees from the RSPO commented that the RSPO applied "a slightly different approach where we [the RSPO] don't rely on business that much... [since] the only approach [to reach the end goal], whether you like it or not, is to work with the government" (Interviewee 3). However, according to many interviewees, the attitude of the Chinese government is more or less indifferent in terms of sustainable palm oil. "It's all well and good, the RSPO. But it's not a Chinese standard...we will not get anywhere unless it's a Chinese standard...I think the inference was that the Chinese market doesn't want to be told by any external body of how to do something" (Interviewee 14).

On top of that, "the RSPO is based on an international, voluntary principle...its characteristic [as a voluntary certification scheme] might be different from the traditional certification schemes we have in China" (Interviewee 11). Even though the two industrial associations are raising the awareness, the government still has no plan to – and will most likely not – take any active measure, as palm oil is not a locally produced product nor does the deforestation or any other issues directly concern the majority of the Chinese (Interviewee 11).

Overwhelmed Local Staff

China and Japan share a common problem of the RSPO offices being understaffed. In both markets, language is a big barrier for many organizations looking to get involved in the RSPO, since the official language of the RSPO is English. Furthermore, there are also tensions that derive from cultural differences. The situation causes frustration to both the RSPO staff and companies engaging in the RSPO in a number of ways.

In China, the RSPO has two outreaching and engagement managers, one in Beijing and the other in Shanghai. However, to serve a large market like China, this setup is still proven to be insufficient. Although RSPO China has its Chinese official WeChat account and a Chinese website, the Chinese resources online are still not as complete as the English website (RSPO, n.d.-a).

Likewise, social media posts and news articles are not updated as frequently as the English ones. The RSPO Chinese website usually redirects the user to the English website if what they are looking for has no Chinese materials available. The language barrier, albeit not a big issue for MNC staff in China, can still post a challenge for smaller Chinese companies who have more non-English speakers to receive necessary assistance by themselves.

In Japan, one of the bottlenecks is the office hours of the RSPO's Japan office: "They[RSPO members] are completely incapable of understanding the language [English]...a lot of firms do not know where to turn to when they have problems...[Japan office] working days are very limited. Now they only open one day a week, so they fail to address the needs [of the customers] in a timely manner" (Interviewee 13).

On the RSPO side, the workload is much more than the staff can handle. "Although it is something they [the customer] can do themselves from the homepage like changing the correspondent' name, they would just ask me to do it. There are so many requests like that. Also, they would say 'I don't understand English, can you check with Malaysia for me?'...It was what they used to do themselves because they had no other choice. I'm so overwhelmed by trivial tasks I have not been able to do higher level service this office is meant be serving" (Interviewee 9).

The local staff are also battling with cultural differences on a daily basis. "Here people normally expect their email to be answered within 24 hours...but in Kuala Lumpur, they have their own culture. They don't answer right away like that. If there's something they cannot decide right away they will not reply. That's the culture" (Interviewee 9). This worries the staff whether the image of the RSPO will be deteriorated: "The office is established, but they [RSPO member companies] probably think that it's not making anything better"(Interviewee 9).

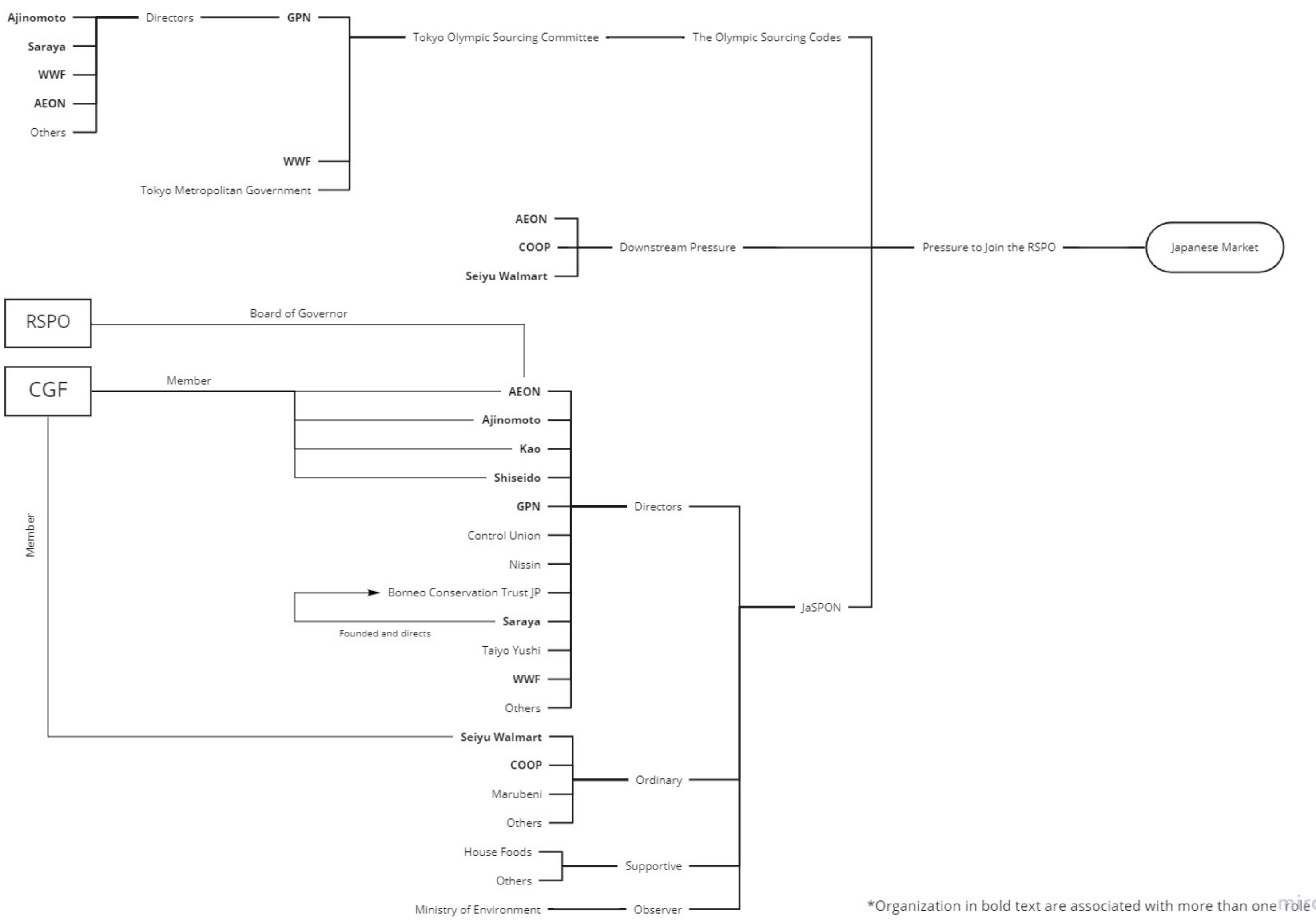


Figure 5.5: Organization chart

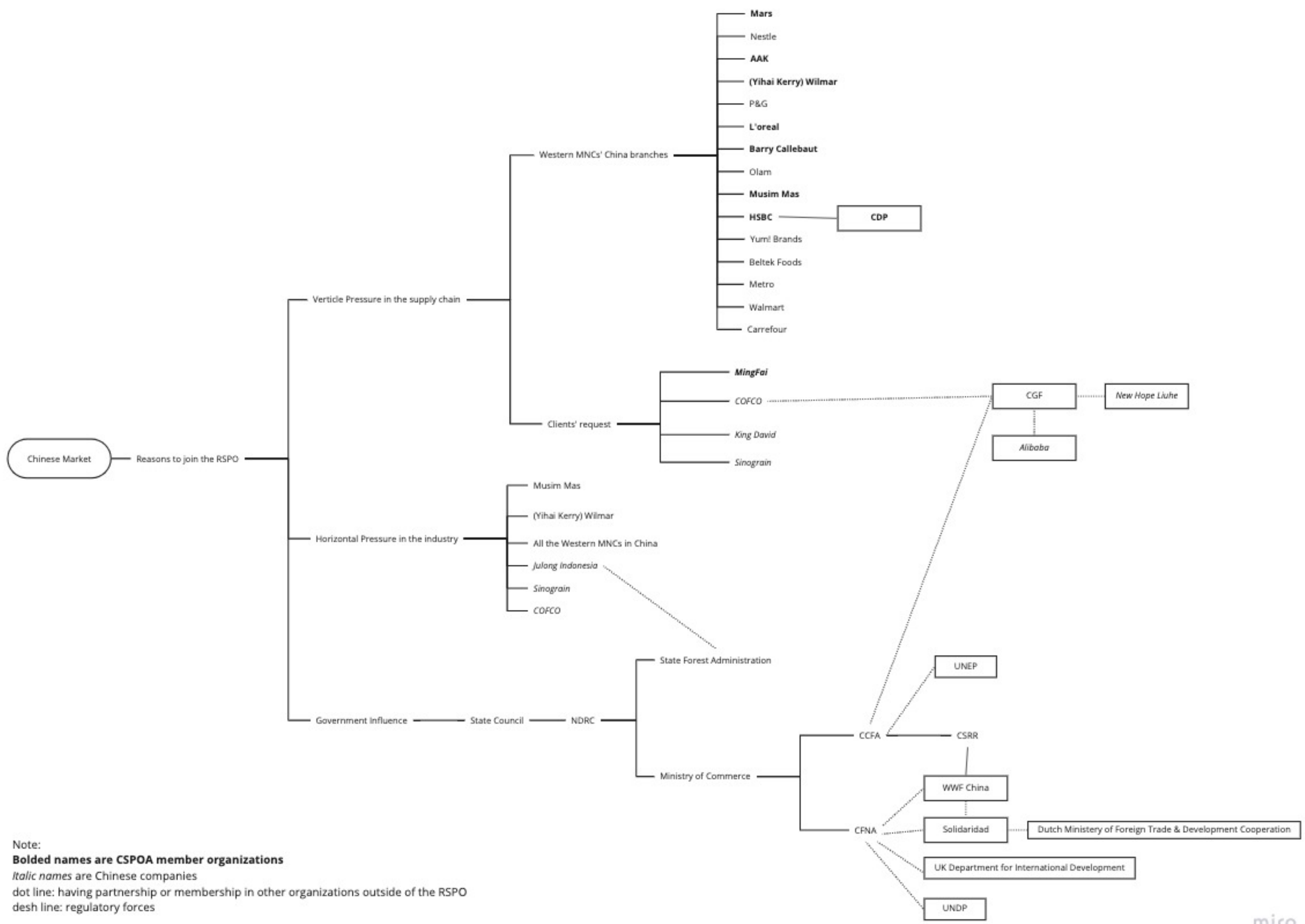


Figure 5.6: Organization chart

CHAPTER 6

Discussion & Conclusion

In this section, we will present the interpretation of our data in form of themes which lead to the answer of our research question. The section will also include the implication for practitioners as well as the literature.

6.1 Transnational Governance of Sustainable Palm Oil Issue in China and Japan

Throughout the development of the RSPO in China and Japan, we argue that a number of professionals and organizations were controlling the issue to spread the information on the negative environmental and social effects of conventionally-produced palm oil and what sustainable palm oil is. The issue of sustainable palm oil is by nature transnational in that both China and Japan are palm oil importing countries, and the governance of such issue thus relies heavily on actors working across national boundaries. Therefore, by probing into the professional and organizational players in the field, we may obtain a more comprehensive understanding on how the issue is understood and treated at a transnational level. Although data on all professionals and organizations are not fully grasped and presented in the study in general, mainly due to the difficulty of accessing and accurately defining the exact population of the transnational network and its boundary, we believe that the organization and two professional characters mentioned below can give us an example of how organizations and professionals attempt at issue control.

One crucial organizational actor in the transnational governance of sustainable palm oil issue is the World Wide Fund for Nature (WWF). In China, we are convinced that WWF China program office is the indispensable organizational player behind the sustainable palm oil movement. Under the Market Transformation Initiative (MTI) launched in 2009, WWF China actively supported the RSPO by campaigning on the palm oil issue and linking multiple issue-related Chinese partners it has to the RSPO (See 5.6). Given the capabilities of the organization, WWF China intensively established organizational partnerships with others in China, for instance CCFA and CFNA, and displays its authority to directly and indirectly affect the governance outcome of the issue. In the Chinese context, the issue control of sustainable palm oil is mainly a result of WWF's organizational strategy. WWF, in this case, goes far beyond acting as an institutional entrepreneur at the local level but also an institutional steward to guard the RSPO agenda at the global level.

Nonetheless, when using an alternative logic to investigate how the issue control took place on the ground, one could not leave out the impact that the first RSPO Secretary-General, Teoh Cheng Hai, created to engage Chinese stakeholders. As an experienced agronomist with NGO and business working experience, Teoh possesses different bodies of professional knowledge, such as those gained during his time in the private sector and the civil society sector. He also successfully identified structural holes in between his Chinese network and the RSPO to exploit organizational opportunities in the transnational environment of sustainable palm oil. Given his network position and status in making claims, Teoh communicated to the RSPO and persuaded his colleagues why China is a market where RSPO needed to dedicate resources in since inception. In the meantime, he also appealed to CFNA while taking part in different intergovernmental projects to help Chinese officials realize the importance of using CSPO for Chinese firms.

In this regard, we draw from the sensemaking theory to shed light on how issue professionals arrive at their attempt at issue control. Although we do not have the data on Teoh's personal passion, it was evident that he performed sensemaking through the organization's point of view. Provided knowledge obtained from his previous career working for a Malaysian plantation and the RSPO, he quickly noted the lack of awareness of the issues surrounding palm oil by the Chinese majority. Unresponsiveness by the Chinese authorities might be the factor that Teoh found to disturb his flow of activities, as his identity as part of the RSPO made him realize the sustainable palm oil could not become the norm without China. He made sense of it in light of his experience in other markets, and gave the problem a label "no business case in China". He then used this label to communicate with his own organization and the CFNA to call for action in order to tame the issue in an attempt to continue the flow of organizational activities.

In the Japanese context, however, data does not indicate that WWF Japan was involved in engaging Japanese players from the beginning. Neither did other NGOs, international organizations, or companies succeed in issue control at the first stage. WWF Japan's effort in pushing forward the agenda could only be observed from 2012 when Tokyo was nominated as a candidate for the host city of the 2020 summer Olympic Games. In the absence of organizational strategy to spur institutional change in Japan, the role of issue professionals, who have the right knowledge and network position to create changes in the market, is therefore essential to emerge to control the issue. This path is exactly what the CEO of Saraya, Yusuke Saraya, tried to take and thus became a well-known figure in the Japanese sustainable palm oil circle.

Likewise, sensemaking theory, when applied here, could offer us richer insights into why Yusuke Saraya in Japan took actions on the issue of sustainable palm oil despite no consumer demand on it. His participation in the TV show enlightened him of the deforestation and biodiversity loss associated with his company's products. Given his passion for environmental issues since young age, the information may have been perceived as a destabilizing factor to his identity.

In order to regain his sense of self, he immediately initiated various measures to improve the situation on the ground in Borneo and went as far as establishing two environmental NGOs, Borneo Conservation Trust and Borneo Conservation Trust Japan. His professional strategy is apparently to transform how this issue should be treated in Japan and abroad. Different activities organized directly and indirectly by Saraya throughout the period in our study could be the extension of Yusuke Saraya pursuing his conservation efforts by leveraging on the organizational network of his company and its affiliations. Experience, professional knowledge, and personal networks generated in this journey later on proved to be a strong leverage when the organizational opportunity emerged.

Despite not fully succeeding in issue control at the first stage, Yusuke Saraya, together with other organizations, grasped the organizational opportunity and advised GPN to endorse the RSPO standard into Olympic sourcing codes. As the part of GPN, Saraya becomes an organization that is able to secure effective authority claim to control the sustainable palm oil issue thanks to Yusuke Saraya's passion in accumulating the knowledge inside the firm. The professional and organizational elements of the story cannot exist without each other.

6.2 Different Sources of Legitimacy Threats Led to Actions

Absence of Local Organizational Field

The rise in membership, however, was not merely a direct reaction of the organizations and individuals pursuing issue control. As seen in the introductory stage of the RSPO into both markets, the efforts by issue professionals such as Teoh and Yusuke Saraya did not immediately lead to the increase in the RSPO members in their markets. Looking from an institutional perspective, we see that the inaction was due to the fact that organizational fields were yet to emerge. Therefore, institutionalized legitimacy consequences of not adopting the RSPO was absent, which also means no isomorphic pressures. We will unpack this proposition below.

Before explicating our argument, we would like to note that isomorphic pressures are not the only drive that leads to organizations engaging in the issue of sustainable palm oil, as evident in the case of Saraya. The company was the first one of its kind to join the RSPO in Japan, and the personal agency of its CEO was obvious. However, data points towards the fact that the increase in Japanese and Chinese members of the RSPO was most likely the result of various isomorphic pressures forcing organizations to become similar to one another, which in this sense is to partake in the RSPO initiative.

Belonging to the same organizational field is a precondition in order for isomorphic pressures to take effect on organizations (Dimaggio & Powell, 1983). Referring to Dimaggio & Powell (1983)'s four characteristics of an organizational field, the interaction between organizations, inter-organizational structure, shared information, and awareness in the involvement on the issue of palm oil were nonexistent in the early stage. Therefore, we argue that the field of sustainable palm oil was only deliberately devised by institution entrepreneurs, or issue controllers, at later stages.

Because an institutional field did not exist locally at the time, promotion activities under the lead of Teoh and Yusuke Saraya yield little impact. As Teoh did not work in any influential Chinese firm at that point in time, and Saraya was a relatively small company using only a fraction of palm kernel oil derivatives in their product, there was not enough coercive pressure for their suppliers in the sector to conform to their call for action either. When it comes to legitimacy, most other organizations did not perceive procuring conventional palm oil as a threat to their continuity when the society barely know the existence of palm oil.

Again, from the sensemaking point of view, it can be interpreted that the conferences and events on palm oil held by the issue professionals served as sites for them to perform sensegiving and provide novel information for the audience. However, such information did not align with any of the local firms' stream of experience, be it internal such as their CSR strategies or external such as consumers' demand. Therefore, the information failed to be perceived as coherent, thus did not bring about actions from the firms.

Isomorphic Pressures from Abroad

The organizational field perspective also explains why Western and local multinationals reacted more promptly to the RSPO. Being part of the European and American organizational fields, where the issue of palm oil had already been institutionalized, these companies were left with no choice but to comply with the coercive force from the civil society and the normative pressure from other organizations in the field.

These companies include Western MNCs in China and Japan, such as Unilever, Seiyu Walmart, Mars, L'Oréal, and P&G. Already under great pressure from their own markets, these companies need to continue to protect its reputation in markets abroad, which rendered them organizations that also help support the adoption of the RSPO in China and Japan. By having local advocates, these MNCs also benefit from economies of scale and a bigger pool of qualified local suppliers.

Another source of isomorphic pressure from overseas is the Consumer Goods Forum (CGF). Being in this network, firms' CEOs are exposed to a set of expectations and standards, such as zero-deforestation commitment announced in 2010; hence normative pressure is diffused among members. As part of CGF, member companies are also subject to campaigns run by international NGOs, as seen from the example of Kao being criticized by Greenpeace, which can be interpreted as a form of coercive pressure. Other companies subject to criticisms from NGOs overseas includes Nissin and Toyo Suisan, the manufacturers of famous instant noodle brands. They also joined the RSPO primarily due to the demand from Western civil society.

Due to the pressure to commit to the same standard as other CGF members, most Japanese members of CGF, although relatively inactive and merely avoiding being questioned in the beginning, became major forces behind the development of the RSPO in Japan. Especially notable firms are Ajinomoto and AEON, which serve high-profile roles within the organization internationally. Thanks to CGF international and local approaches in Japan, the notion of sustainable palm oil became well aware of by the industry in the country.

However, when it comes to China, the CGF itself has a relatively short history in the country. With food safety being a more urgent issue in the Chinese market, measures from potentially powerful members such as the e-commerce champion Alibaba are yet to be seen. COFCO, despite a member of CGF, long before CGF opened its China office, is also not the most active Chinese company in advancing the RSPO agenda. It only commits to 100% CSPO by 2025, which is five years after the target of the CGF. Even worse, Liby does not have any commitment in place and did not respond to the Greenpeace campaign. We will come back to unpack this point later.

Tianjin Julong Group (Julong), however, is worth noting because its trajectory of adopting the RSPO standard is different from most of its Chinese counterparts. The company is one of the key private enterprises, which receives enormous attention from the Chinese state. To strengthen its market position, Julong responded to the government's call on venturing abroad and undertook foreign direct investments in plantations in Indonesia.

This investment makes the company subject to not only early regulations established by the Chinese state but also pressure from other local and foreign plantation companies operating in

Indonesia. The Chinese government faces risks of *losing face* if Chinese companies are seen as environmentally irresponsible in the world outside of China. Julong has no other option but to comply with the coercive pressure from the Chinese state given its position.

Exploiting Network to Create Local Organizational Fields

To incentivize firms to take serious actions on the issue of sustainable palm oil, issue controllers needed to create an environment that would maximize the outcome of their projects. In order to lay the foundation for actions of target firms, issue professionals exploited their networks as well as opportunities that came in their direction to create relevant organizational fields.

In Japan, as far as data shows, around the time Saraya toned down their promotion activity level, WWF Japan started its movement by devising gatherings among the RSPO member companies, mostly local Japanese. At the time, being pushed by CGF, Ajinomoto, joined the group of organizations controlling the issue of sustainable palm oil in Japan. Saraya, WWF, and Ajinomoto utilized Green Purchasing Network (GPN) to help them raise awareness among a wider group of audience as members of the board of directors. By using an NPO like GPN as a proxy, issue controlling organizations not only reduce the risk of being perceived as promoting their own interests but also reaches other stakeholders, such as the government and consumers.

In China, organizations that benefit from controlling the issue of sustainable palm oil were WWF, whose goal was to fulfill its Market Transformation Initiative, the MNCs who were looking to fulfill their global commitment of sourcing sustainable palm oil, and the RSPO as an organization itself. To accomplish such goals, they join forces and mobilized their networks to help create awareness on sustainable palm oil in the industry. By teaming up with other NGOs and CFNA, whom all had stakes in the issue, relevant stakeholders along the supply chain were brought together to learn about the situation.

These associations form pressures from the upstream supply chain, hence a type of coercive force. By bringing companies in the same industries together, normative pressures also come into play. It also motivates these companies to compete with each other to be chosen as suppliers for companies interested to procure CSPO. By connecting players, the level of interaction between actors increased, the inter-organizational structure starts to form, albeit loosely, the amount of information shared and the realization that sustainable palm oil concerns them intensify. Therefore, we argue that issue controllers utilized their networks and artificially devised organizational fields to create markets for sustainable palm oil in both markets.

From the sensemaking point of view, organizational fields serve as a site for future sensemaking that will enable actions when enough elements, such as relevant information and experience, are aligned. What is needed at this point are events that will further the stream of experience, as well as those that jeopardize such experience, which will activate actions.

Inducing Actions Through Threats and Sensegiving

Organizations and individuals attempting to control the issue of sustainable palm oil in China and Japan were observed to actively engage in sensegiving to institutionalize the RSPO as *the* sustainable palm oil standard, thus attempting to change the status quo of the market (Gioia & Chittipeddi, 1991). They convinced target organizations that by becoming RSPO certified, firms would most likely be able to ensure their legitimacy and appear as appropriate. From an institutional standpoint, having a ready-made, institutionalized sustainable standard for palm oil also spare target firms the work to ensure the procurement of sustainable palm oil themselves.

In the case of China and Japan, sensegiving activities are observed in the form of speeches in various events held throughout the three stages that we studied. Thanks to the video record of RSPO Japan Day 2016, we could see very clearly how sensegiving was performed by the issue professionals. As explained in the findings section, these issue controllers emphasized throughout the event about the upcoming Olympic Games. One of the issue professional we interviewed even admit that the timing of the event was aimed at when the awareness among the audience was high enough such that they could become receptive of the information.

The issue professionals present in RSPO Japan Day 2016 not only connected trends and events in Japan that the audience was most likely aware of, such as SDGs, and the Olympics, they also provided the notion of legitimacy threats such as the rate of deforestation that palm oil was responsible for, the influx of foreign audience and media due to the Olympics, and the speculation of the RSPO being added into the Olympic sourcing code. GPN, who represented consumers during the event, also supplemented the invitation to take action with the projection for the outcome by mentioning the likelihood that consumers would react positively. Doing so helped connect the dots of events, thus influenced how the individuals in target firms make sense and directed their actions towards embarking on the RSPO initiative.

By using the notion of reputation and legitimacy threats, issue professionals purposefully destabilized the flow of experience of the target audience, which in this case is to make them question whether their sustainability efforts were sufficient for the incoming foreign visitors. This opened them up for new meaning and inputs on what would be the appropriate actions to take in order to mitigate such risks, which is why sensegiving on the RSPO was especially effective at this moment.

Additionally, how larger MNCs who mandated sustainable palm oil targets to their Japanese subsidiary get their local subsidiary to act upon the decision was also disclosed during RSPO Japan Day. Albeit a top-down mandate, sensegiving was necessary to onboard the employees and suppliers. As demonstrated in the data, it was done through constant communication in the form of seminars by WWF and reading materials. In this particular example, not only power associated with sensemaking, but also how issue professionals work together to guide the desired reactions are evident.

In fact, the audience was not the only target for sensemaking and sensegiving, but also the panelists themselves as they debate the current issue of sustainable palm oil in Japan. For example, when Kao spoke up about their trouble of not being able to pass on their costs to retailers, whose representatives were present in the room. This can be interpreted as collective sensemaking, where relevant players with distinct interests make sense of the issue together while exerting their political powers.

Despite lack of data at the same level of richness for the events in China and other events in Japan, we conjecture that the narratives in these events were similar, given the appearance of the same organization representatives, such as Darrel Webber, who was the CEO of the RSPO at the time, and representatives of an issue controlling firms, whose names appear across multiple platforms when it comes to the issue of sustainable palm oil.

From External to Local Isomorphic Pressures

After accumulating enough local actors, together with the development of local supply chains to accommodate the distribution of CSPO, core advocates of the RSPO, including those who were pressured to comply from other markets, intensified their efforts to institutionalize the uptake of CSPO by applying isomorphic pressures to the local players. At this point, since the organizational fields were somewhat in place, more firms were reactive to the forces that were applied.

One of the most apparent examples of this argument is the measure by AEON, the Japanese retail champion. By announcing their goal to switch to 100% sustainable palm oil, AEON effectively coerced the entire supply chain, involving all actors that process foods for their 3,500 private brand food products. It can be interpreted that AEON translated normative pressures their professionals were exposed to abroad to coercive pressure back home.

Another example is the Olympics sourcing code to which the RSPO was successfully added as one of the requirements by issue controlling organizations discussed earlier. This applies coercive force directly to the companies who are suppliers for the Games. However, it also diffuses legitimacy threats to suppliers outside of the Games, which may induce mimetic isomorphism in the bid to avoid criticisms from foreign visitors who are expected when the Games takes place in 2021.

A big brand like Nissin joining the other players in creating the ripple was also perceived to be a positive boost in the market, given the media coverage. Not only did it spur the topic of the RSPO, but it also coerced the food supply chain that supplies to Nissin. Moreover, it helped to institutionalize the RSPO even further in the market. This can be seen from the example of smaller food manufacturers in the Japanese market became an RSPO member due to fear of being picked up by NGOs, showcasing how mimetic isomorphism took place.

In China, the case of Mars exemplifies how MNCs alike keep on exercising their buying power, coercing, educating, and helping their suppliers to get RSPO certified. The first to get certified have a more competitive advantage as learned from the interview data. In fact, we also learned from the survey data that a significant part of Chinese respondents joined the RSPO to compete with their peers. Therefore, not only did Mars global procurement policy caused coercive isomorphism, but it also induced competitive isomorphism.

The entrance of CDP, who represents the investors, into the Chinese RSPO circle, also pressured the Chinese companies to comply with the requirement for the RSPO certification. The information disclosure survey sent by CDP can also be perceived as a coercive force, albeit an indirect one. We speculate that this is partially reflected in the survey data as some Chinese respondents chose the investor's requirement as the reason for joining the RSPO.

Tangible Sustainable Palm Oil Networks

The creation of visible networks dedicated to sustainable palm oil in the two markets – JaSPON in Japan and CSPOA in China – was major development within the RSPO trajectory. From the membership data, this seems to be especially powerful in pushing the Chinese organizations, as memberships rose drastically after such establishment.

The networks are especially beneficial as a site for sensemaking. Through the networks, collective sensemaking can be achieved among local sustainable palm oil advocates, which help them join forces to resolve the local issues that prevent the RSPO from spreading further. The structure of these networks resembles the RSPO to a large extent, as it comprises of multi-stakeholders such as firms and NGOs. They also serve as a site for sensegiving for new members and future members, given their commitment to local promotional activities.

Additionally, the founding of JaSPON and CSPOA also help spread the news on sustainable palm oil and diffuse sense of legitimacy threats to non-members in the markets. The pressure, thus, can be expected to effectively attract new members.

Reverse Engineering Legitimacy Struggles of Palm Oil

Sources of threats unpacked so far predominantly derived from the market players in the same sector or field. However, organizations working on controlling the issues also attempting at creating legitimacy threats for firms from downstream of the supply chain by raising consumers' awareness of the environmental issues associated with palm oil cultivation.

Recall that Hansen et al. (2015) describes legitimacy struggles that organizations associated with palm oil supply chain go through provided constantly evolving public opinion on the commodity. Interestingly enough, in the Japanese and Chinese market, there were no such struggles in the first place, as palm oil is still mostly invisible to the society at large.

Issue professionals resorted to their personal and organizational network to educate consumers and introduce the moral legitimacy struggle into the market after the legitimizing strategy – the RSPO in this case – was in place. Thus, this can be perceived as legitimacy struggles being reversed engineered into the system to balance action and reaction.

Having supports from consumers also benefit retailers and manufacturers who adopted the RSPO standards as it helps consumers understand why they should pay more for sustainable products. This will help to ensure that the firms committed to sourcing the CSPO will still be able to secure their financial bottom-line.

6.3 Implications

In the following section, we would like to point out some implications of this study for researchers and practitioners to reflect on.

Implications for Literature

We observed that the field-level change, which the WWF created globally so far, are still of limited reach to a handful of companies in the empirical world. Looking at the theoretical framework we developed based on a synthesis of field-level change triggering isomorphism and professional-organizational networks established by other scholars (El-Gazzar & Wahid, 2013; Seabrooke & Henriksen, 2017). We suggest that the field-level change is a result of professionals and organizations seeking issue control through the process of sense-giving and sense-making (see Figure 6.1).

The changes take place across spatial and temporal dimensions and emanate from the Western consumer countries and Southeast Asian producer countries to the East Asian markets of China and Japan as globalization continues. Although the domino effect might eventually end one day, either because the market becomes saturated with RSPO certified products or the RSPO loses its legitimacy to continue as an MSI. At this point in time, we believe that the field-level change is still constantly evolving.

Our theoretical framework could be interpreted in two scenarios. The first scenario would be when one organization takes action in the field and leads to the action of another organization,

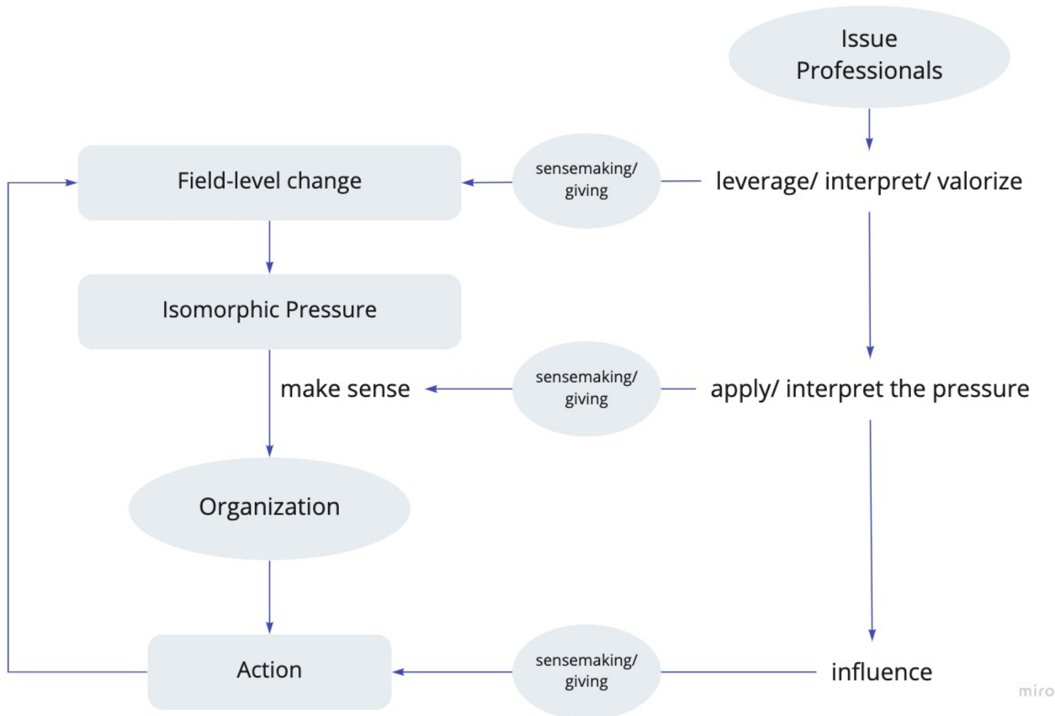


Figure 6.1: Theoretical Framework
Source: Authors adapted from El-Gazzar and Wahid (2013)

be it an outcome of peer competition or supply chain compliance. As this new firm takes similar actions, it adds to the field level change and trickles down to affect another new organization. In this scenario, the organization who takes action are not the same one each time, so the spiral curve develops deeper into supply chains and magnifies the field.

Take the case of Mars China and AEON for example. When the companies demanded their tier-one suppliers to comply to the RSPO standard, their tier-one suppliers took action. In most cases, these tier-one suppliers also have their own suppliers. As a result, the tier-two suppliers would also have to take action, and this spiral continues until the end is met. In this scenario, the role of professionals mainly remains at interpreting and making sense of external threats and further influencing the outcome of an organization with the right knowledge they possess. This trajectory primarily results from a compliance-based mindset of an organization, who takes actions according to prescriptive rules, as observed in both our quantitative and qualitative findings.

However, exceptions do exist. Building on the case of our first scenario, the second scenario explains how an organization, who first took actions in the field, keeps on staying in the field and contributes to the development of the field. This type of organization takes preemptive actions, adds new ideas as well as measures to the mainstream discussions, and creates treatments of the issue as time goes by. These organizations are also the ones who have higher chances to succeed in issue control.

Take the members who joined the Palm Oil Innovation Group (POIG) for example. When the NGOs started to push for more drastic changes in 2013 and built a more credible benchmark based on the existing RSPO P&Cs, some companies who are already part of the RSPO stepped up and joined this movement by undertaking assurance and human rights innovations. The commitment as such entails more rigorous auditing measures and provides more transparency to the companies simultaneously, which may then create another field-level change as the new ideas are channeled into the field by these innovators once again.

In this scenario, the information and knowledge that issue professionals create and exchange becomes an essential part of the equation. As a similar group of professionals and organizations sticks together and are eager to be fed with the latest knowledge concerning the issue, professionals can advance their personal projects and attempt to control the issue if they have the right network connections and expertise to mobilize the organization.

To conclude, laying out the two scenarios does not imply that, in reality, they are mutually exclusive. For instance, an organization can be an innovator to develop new treatments for the issue, while complying to the demand from its clients. Although our analytical framework cannot possibly cover every aspect of the whole empirical world, our findings point strongly towards the need to onboard more than just market actors to deeply institutionalize the RSPO in the two countries.

Referring back to Newton et al. (2013)'s framework for analyzing opportunities for actors to influence commodity supply chains though interventions, we realized that the state's role in creating opportunity and stability for the sustainable palm oil industry in both Chinese and Japanese contexts is minimal or rather missing. Although Newton et al. (2013) did not argue that all three influencing actors must be present in the same intervention at the same time to create impact, their framework implies that multi-stakeholder collaboration is imperative to generate stability in the supply chain.

From our findings, although the pressure put into the market actors are effectively making the presence of the RSPO felt by wider audience, the situation is still far from stable. We argue that to make sustainable palm oil a norm, the RSPO and its supporters from the private sector must not be satisfied with the status quo and continue to make the effort to involve the government and the civil society.

This is because by not having the support from those in these two domains, the businesses cannot ensure their continuity. First, this is because they decoupled from structures that provide efficiency (Meyer & Rowan, 1977), which in this case is to procure conventional palm oil. Adopting the RSPO in the belief that it will provide legitimacy makes them less efficient and increased their costs. Not having the support from the civil society means that these costs cannot be passes on to the consumers, which will result in destabilization.

The government also plays a crucial role. Although the RSPO is a non-governmental MSI, the back up from local government to support its standards is indispensable. Not only the government can help to spread the awareness by mandating the food producer to explicitly show palm oil in ther ingredient list, it can also help with tax burden, as suggested by an actor in our data. In China, however, the role of the government is even more important, as it is the sole entity that dictates the continuity of most firms within the country. This is apparent from the findings that institutional legitimacy threats from outside of China has no effect on the Chinese companies, even though they also operate abroad.

From the argument above, we proposed a slight modification to Newton et al.'s framework for commodity supply chain interventions (see Figure 6.2). Note that this is only what we observed in our case study and does not apply to all markets. For example, the point of departure for the RSPO in the European market would start from civil society towards the market, which then influence the government's regulation.

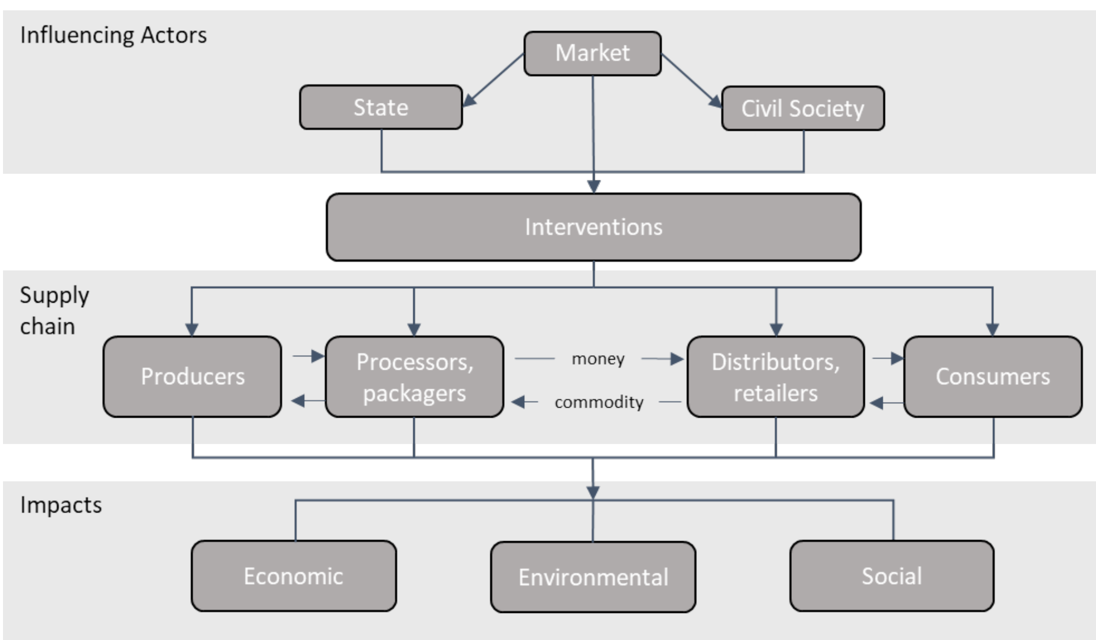


Figure 6.2: A framework for actors to influence commodity supply chains through interventions in the Chinese and Japanese markets
Adapted from: Newton et al. (2013)

Implications for the practitioners

As stated in the findings, the Chinese society are more used to visible, intuitive campaigns that can convey the good practices of the companies and encourage consumers to support the firms. Whereas in Japan, firms are bonded through the feelings of "we're all in this together," fundamentally rooted in the *keiretsu* culture in the Japanese private sector. Therefore, dedicated organizations in the field should no doubt leverage on the two distinct cultural features.

In the Findings chapter, a few of outstanding problems still prevail for the RSPO to realize its full potential in China and Japan. Evolving thus far, the MSI apparently has created invaluable connections and business acumen to bring itself to this level. However, the existence of pain points outlining before implies that the RSPO needs to rethink its organizational arrangements in terms of resources distribution, as it is still in dire needs of more local staff. Having more local staff will help the RSPO to leverage more on its current networks to achieve the long-term goal.

Apart from this, the RSPO's current challenges to realize its zero deforestation promise also remain another risk that it can get de-institutionalized if the MSI cannot show that it serves the purpose to continue. Therefore, efforts to ensure legitimacy of firms adopting the RSPO need to continue.

Another critical aspect concerns the cost associated with adopting the RSPO certified oil. As described above, the government and the civil society of both China and Japan are still rather indifferent about the RSPO, therefore if the status quo continues to be the case, companies will have to either bare the costs until the bottom-line turns red or stop subscribing to the RSPO. We see intensive measures to increase the consumers' awareness and involving the governmental to a crucial next step for the RSPO and its advocates in these two markets.

The RSPO can also help companies to reduce costs that derive from supply chain certification by adjusting its Supply Chain Certification Standard (SCCS) to the market. In Japan, findings suggest that the country's complex supply chain is a high hurdle for most companies looking to get certified. One idea could be to expand "National Interpretation" to also cover SCCS. By helping the current businesses with the costs, it is easier for the sustainable palm oil to become a market norm, and we believe this will help the RSPO to achieve its ultimate goal faster.

6.4 Conclusion

The purpose of this study is to unpack the mechanisms behind RSPO's recent momentum gained in China and Japan, and answer the research question: ***How do the Japanese and Chinese companies make sense and engage in the transnational issue control of sustainable***

palm oil?.

We started by reviewing existing literature on the RSPO, multi-stakeholder initiative and the CSR practices to obtain background knowledge on the RSPO and how it is relevant for firm's CSR strategies. We then reviewed related theories that would help us unveil the mechanisms that make more and more organizations choose to partake in the RSPO initiative – namely, sense-making, issue control, isomorphism and legitimacy. Throughout the project, we primarily used qualitative interview data gathered from 19 insiders of the RSPO from the organization itself, as well as the RSPO advocates and experts who are deeply associated with the issue. Using thematic analysis, we identified the main themes mentioned by our interviewees. We then supplemented our interview data with additional qualitative materials and quantitative data from various sources to enrich our understanding.

By combining all the steps, we arrived at the answer to our research question. We found out that highly motivated professionals utilized their knowledge and social capital to drive the issue of the RSPO in the two markets. They networked in different organizational settings and interpreted events into the legitimacy threats to target organizations. Through this process, different types of isomorphic pressures were created inside the industries and associations, resulting in the rise of the RSPO memberships. These members became advocates of the RSPO and repeated the process, causing a chain reaction in the industries associated with palm oil in China and Japan.

This research has a few limitations. First, we acknowledge that bias that comes from our backgrounds is inevitable in this setting, since we interpret the data through our own perceptions. Since both of us are only competent in either Chinese or Japanese, the effects of the bias became even more difficult to avoid. Secondly, the data collected for this project is far from inclusive. Due to limited time and access to informants. This was proven to be even more challenging given the relatively reserved nature of the East Asians when it comes to communicating with unfamiliar individuals. Since our findings and discussions are solely based such limited data, the results may not be applicable to the entire market. Third, we scrutinized both market under the same theoretical framework using multiple case study approach. However, the two markets were shown to have vastly different dynamics. Investigating the markets individually may result in a different outcome.

Finally, we would like to suggest possible directions for future research. First, although we found information on individuals who we believed were issue professionals for the case, the literature could be enriched even further with ethnographic research method. Secondly, we discovered hints that *keiretsu* or cross-shareholding in Japan may be the key to faster and deeper institutionalization of the RSPO in Japan. Future research could explore how keiretsu objects or facilitates the spread of sustainability practices in Japan.

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Appendix A Interview Guides

A.1 Interview guide for Chinese companies

访谈指南

2020/03/30

研究简介：

本研究的目的是想了解可持续棕榈油在中国和日本的市场动态，旨在找出能够促进中国及日本厂商们采用 RSPO 认证的动机，以及阻碍可持续棕榈油在两大市场得到广泛采用的挑战。

我们想探索两国市场如何看待 RSPO 作为一个来自外国的多方利益相关者倡议（multi-stakeholder initiative），并且进一步了解 RSPO 中国与日本是如何促使各方参与者认同其组织愿景，并制定战略以加速中国及日本企业参与推动其议程。

其中，我们最有兴趣了解的是：**1)** RSPO 如何合理化自身在棕榈油行业中的管理专业以及推动其在可持续棕榈油运动中的地位 **2)** 本地公司在申请 RSPO 认证时会担心的问题 **3)** 政府与非政府组织在推动可持续棕榈油运动中所扮演的角色 **4)** 终端消费者对棕榈油行业及购买可持续棕榈油的看法。

我们认为以上关键问题，对于全面落实多方利益相关者倡议（multi-stakeholder initiative）并使两国消费者及厂商之建议能在 RSPO 政策制定过程中受到重视，至关重要。因此，访谈中的问题将围绕于您和您的组织在推动这些议题、为厂商与消费者建立意识，及制定长期策略时的角色。

重点摘要：

- **本研究旨在探索：促使中/日两国各方利益相关者参与可持续棕榈油运动之主因。**
- **这次访谈之问题，将集中在您和您的组织在进一步推动 RSPO 议程的进程和策略。**
- **本研究属自愿制，您可以随时选择退出。**
- **本次采访将被记录和转录。如果愿意，您可以收到这次采访的文字稿。**
- **我们预期面谈大约持续一个小时，将会以中文进行。**

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HANDELSHØJSKOLEN

1

访谈问题

背景资讯：

1. 请告诉我们，您目前在组织内部的职位。
2. 您认为可持续棕榈油的定义是什么？您认为 RSPO 的目的是什么？
3. 您认为可持续棕榈油能在中国产生巨大影响的主要机遇是什么？

企业：

4. 您认为，为什么贵公司当初选择加入 RSPO？
5. 请简单介绍一下，目前贵公司与 RSPO 的关係。
6. 请简单說明，贵公司采用可持续棕榈油或对外农业产业投资的组织进程发展。
7. 您认为一带一路是否对于贵公司加入可持续棕榈油运动是否有影响？

中国企业界：

8. 您认为是什么因素，使得其他中国企业加入 RSPO 并获得认证？

中国政府与非政府组织：

9. 中国政府在建立企业意识和塑造企业利益方面，扮演着什么样的角色？
10. 民办/非营利组织扮演着什么样的角色？

总结：

11. 请举三个在贵公司中国在推广可持续棕榈油时最重要的转折事件。
12. 您认为可持续棕榈油运动在中国，未来将面临什么挑战？

非常感谢您拨冗参与此次面谈，如有需要，我们将在研究结束后，将研究成果与您分享。

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A.2 Interview invitation for Japanese companies

2020 年 3 月 11 日

○○株式会社
CSR ご担当者様(もしくは調達ご担当者様)

コペンハーゲン・ビジネス・スクール
MSc. In Business, Language and Culture

Hattaya Rungruengsaowapak(ハタヤ)
Tzuhsin Yang(ケイティ)

持続可能なパーム油の調達について意見交換のお願い

拝啓　春暖の候、貴社ますますご隆盛のこととお慶び申し上げます。本日は、貴社の持続可能なパーム油の調達へのお取り組みについて、意見交換をお願いしたくご連絡いたしました。

私どもは、コペンハーゲン・ビジネス・スクール(CBS)の修士課程で「日本と中国での持続可能なパーム油のための円卓会議（RSPO）」をテーマとして研究を行っております。指導教官であります同大学助教授 Kristjan Jespersen(クリスチャン・ジェスパセン)は、農業コモディティの持続可能性を中心に研究をしており、RSPO のアドバイザーを務める他、ヨーロッパを中心とする様々な企業と協働しております。ジェスパセンの詳細な研究内容、及び CBS について、また私どものプロフィールにつきましては、別紙をご確認ください。

この度、私どもの卒業研究として、日本と中国の企業が RSPO 認証の採用を可能にするメカニズムを調査し、また同認証の広範な普及を妨げる課題をより明確にしたいと考えております。研究を進める過程で、貴社の RSPO への長い加盟歴について感銘を受けました。貴社の持続可能なパーム油の採用への積極的な取組の事例は、持続可能な世界の実現に向けて、大変貴重だと考えております。

つきましては、貴社のお取組についてご質問させていただき、私どもの卒業研究、ひいてはジェパスセンの研究の参考にさせていただきたく、以下の通りお時間をいただけませんでしょうか。お時間をいただける場合には、貴社からのご回答は英語に翻訳し我々の論文に例証という形で記載させていただく予定です。（もし記載する場合は、事前に確認をさせていただきます。）また、貴社がご希望されるようでしたら、RSPO の専門家でありますジェスパセンからの何らかのご協力も可能かと存じます。

何卒、ご協力いただけるよう前向きにご検討いただきたく、宜しくお願い申し上げます。

敬具

CBS

記

時期：　　３月中旬～４月中旬の間
形式：　　Web ベース（Skype）もしくはお電話
所要時間：　1 時間程度

※ 調達もしくは CSR 部門など RSPO 関連をご担当されている方とお話しさせていただけますと幸いです。
※質問項目は事前にメールにてご連絡させていただきます。
※ご不明な点がございましたら haru18ab@student.cbs.dk までご連絡ください。

以上

別紙

Kristjan Jespersen （クリスチャン・ジェスパセン）

- CBS 持続可能性およびビジネス開発研究センター（CBDS）、持続可能な起業家精神とイノベーション助教授
- 経営・社会・コミュニケーション学部、インパクト・フォー・イノベーション研究室長
- テキサスオースティン大学、マコームズ・スクール・オブ・ビジネス、ビジネスガバナンスと社会学部特別教授

※ 研究分野
発展途上国における生態系サービスの制度的正当性及びコンプライアンスツールに関わる研究

※ ジェスパセンのプロフィール
- CBS 内ウェブページ（英語）
  www.cbs.dk/en/staff/kjmsc
- リンクトイン（英語）
  https://www.linkedin.com/in/kristjan-jespersen-6266513/

Copenhagen Business School (CBS、コペンハーゲン・ビジネス・スクール)

- コペンハーゲン・ビジネス・スクール（CBS）は 1917 年に設立され、現在 2 万人以上の学生と 1,500 人の従業員を抱え、ヨーロッパの最も大きいビジネススクールの一つだ。さらに、当校はデンマークにたった 2 校しかない AACSB, AMBA, EQUIS に認定されたトリプルクラウンの称号を持つ学校の 1 つである。様々な国際ランキングでも高位を取得：
  - **2019 Corporate Knights Better World MBA Ranking**：世界の 15 位
  - **2019 QS MBA Ranking**：世界の 31 位、ヨーロッパの 14 位
  - **2019 Best B-Schools Ranking**：ヨーロッパの 20 位など

※ ＣＢＳウェブサイト（英語）
https://www.cbs.dk/en

Msc. In Business, Language and Culture (修士課程、ビジネス・言語・文化専攻)

当プログラムは、社会、政治、文化、言語、地域に関わる研究を通じて、社会科学、人間科学の交差点にある学際的な視点から国際ビジネスと管理の理論と実践を繋ぐ。このアプローチにより、地域に根ざした価値、規範、慣行等が、グローバル経済内の様々な組織にどのように影響するかを理解し、国際ビジネスへの広い視野の獲得を目指している。

Hattaya Rungruengsaowapak(ハタヤ)

※リンクトイン https://www.linkedin.com/in/rungruengsaowapak-hattaya-642575107/

Tzuhsin Yang(ケイティ)

※リンクトイン https://www.linkedin.com/in/tzuhsin-yang/

A.3 Generic interview guide

Interview Guide

Brief introduction to the study:
This interview is conducted to unpack the sustainable palm oil movement in relatively the less studied, albeit increasingly important, market dynamics of Japan and China. Our study aims to identify the drivers that enable the adoption of RSPO certification and the challenges unique to these markets that obstruct wider uptake.

We would like to explore how RSPO as a multi-stakeholder initiative from the West is perceived in China and Japan, understand how RSPO engages different actors in its agenda, and learn about how to further formulate strategies to drive key debates and onboard corporate players in the two East Asian markets.

In particular, we would be interested in knowing how RSPO gains its legitimacy in governing the palm oil sector, the concerns that local corporations have when adopting RSPO certificates, the role and authorities of states and NGOs, as well as the perception of end consumers on sustainable palm oil. We believe these are some key issues to investigate, in order to reach a balanced stakeholder representation in the RSPO and develop an all-inclusive strategy to achieve the same end goal.

The questions in this study will therefore focus on your role in furthering these debates and formulating methods to include the Chinese and Japanese players in the RSPO. They will especially revolve around which strategies you and your organisation employ in making sense of the RSPO agenda in China/Japan and which types of work you undertake in the process of creating this awareness.

In bullets:

- We are exploring the key drivers that motivate Chinese and Japanese actors to take part in the sustainability movement RSPO created.
- The questions in this interview therefore focus on the incentives behind and strategies employed by you and your organization in furthering the RSPO agendas.
- Your participation in this study is voluntary, and you may withdraw at any time. **The interviews will be recorded and transcribed. If you wish, you can receive a transcript of this interview.**
- We expect the interview to last approximately an hour.

Introduction:

1) For the record, can we have your consent to record this interview?
2) Please tell us your current/previous role/s within the RSPO China/Japan.
3) Please tell us why you joined RSPO in the first place.
4) In your opinion, what is the definition of sustainable palm oil? What is the purpose of RSPO?

The RSPO in China/Japan:

5) Can you briefly walk us through the history of RSPO in China/Japan?
6) What are the major opportunities for the impact of sustainable palm oil in China/Japan?
7) What do you think is the best way to promote your ideas and interests in China/Japan?

Chinese companies (adjusted depending on the country)

8) In your opinion, what makes the Chinese companies join the RSPO and get certified?
9) Can you classify the Chinese buyers?
10) How do they look at different types of traceability systems?
11) As far as you are concerned, what do companies think about the B&C system and credit market?
12) Do you think Chinese Companies trust the credit trading platform?
13) Why do we not see the RSPO trademarks/logo being used in products of companies that are RSPO members?
14) How active are the Chinese/Japanese companies participating in the RSPO General Assembly?

Chinese government and NGOs (adjusted depending on the country)

15) What is the role of the Chinese state in creating awareness of and shaping firms' interests in joining RSPO?
16) What about the roles of NGOs participating in RSPO China/Japan?

RSPO China (adjusted depending on the country)

17) What are the main activities that RSPO China are working on?
18) Why do you come up with these activities? (e.g. the Sustainable Consumption Week targeting consumers and the China Sustainable Palm Oil Supply Chain Forum)
19) Can you tell us more about the China Sustainable Palm Oil Alliance (the Alliance)?
20) Are there any challenges you can foresee for RSPO China?

Wrap up

21) Can you please list three events that have been important turning points in RSPO's history? Why were these turning points?
22) Do you have any final questions or comments? Are there any questions you think we should be asking but we are not?
23) Do you know any relevant persons I should talk to?
24) Is it ok if I contact you for follow up questions?