

## **Roles of Corporations and Multi-Stakeholder Governance for Advancing Sustainability of the Supply Chain - A case of Palm Oil**

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Sustainable development can be achieved by creating sustainable supply chain and the activities of the corporations contribute directly towards this end, for among the firms, governments and NGOs; it is the corporations that have the resources to push forward change. And this change can be primarily effected by companies practicing sustainable procurement activities. Although reactive change is triggered by external factors such as stakeholder pressure and supply chain risk, it is the enablers of sustainability oriented leaders and followers, and transparent supply chains that brings forth tangible changes to the companies' strategies and practices. Transparent chains allows for free flow of information which dents the bounded rationality of corporate decision makers resulting in more accountable choices. Access to information is pivotal to induce upstream production improvement of agricultural commodity like palm oil because the production and consumption are geographically dispersed. Clear corporate visions and missions are needed to remain long-term focused since sustainable practices are not known to deliver short or medium term returns but companies must continue design and delivers on responsible buying activities.

Firms policies on sustainable procurement augured with adequate resources facilitates the implementation of practices such as supplier development through funding and technology transfer, 3rd party certification and traceability to sources, and active communication promotes sustainable development at source, and for palm oil, the sources are primarily located the developing countries. Employee skill enhancement, IT infrastructure, revision to operating processes, enforcement of code of conduct and sharing technologies and know-how with the suppliers are all practices that improves the sustainability of the chain. The traceability of product to source is critical as much of the unsustainable practices occur at the commencement of chain such exploitation of workers and destruction to the environment. Using 3rd party certification to police implementation fills the gap of weak enforcement of laws and regulations by national governments.

To facilitate firms moving in the right direction, the presence of multi-stakeholders for supply chain governance are found to be both necessary and useful. The intervening relationships of these institutions specifically RSPO for sustainable palm oil is dichotomous, a bilateral relationship between the individual firm and a multilateral relationship with all supply chain players. The multi-stakeholder integration with the firm is formed through bilateral interaction, knowledge of the demands and adaption of business practices to these demands. With multiple and at times, conflicting interest claims, limited by scarce resources, the firms identify themselves with the multi-stakeholders who hold power, legitimacy and urgency. Whilst power and legitimacy are generally attested to effectiveness of multi-stakeholder, it is the urgency of the message that sways firms to institute change in the near distance. As multi-stakeholders are

themselves limited by capabilities and capacities, only with the pooling of resources from various fronts including private, public, non-governmental, academic and scientists can deliver the sustainability messages that are weighted on urgency towards reduction of global warming, protection of eco-systems, prohibition to land-grabs and displacement of native people can be effectively disseminated.