3101AFE Assignment2

yuyu sui - s5150735 word: 1453

**Article 3 – Climate revolt rocks Santos as shareholders fire up emissions push**

Santos, one of Australia's biggest oil and gas companies, is under pressure from shareholders to set tougher emissions targets to reduce its adverse impact on climate change. A resolution on energy conservation and emissions reduction proposed by the Australasian Centre for Corporate Responsibility, an ethical investment group, has gained considerable shareholder support. The resolution also called on Santosse to review its trade associations to assess whether their climate conditions meet the requirements for curbing global warming. Santos' board's argument that gas can curb global warming has been rejected by critics who say it does a poor job of meeting the Paris agreement's goal of keeping global warming below 2c. Santos responded to pressure from investors and shareholders concerned about climate change by continuing to engage constructively with shareholders in order to achieve more stringent emission reduction targets.

**Word: 139**

Legitimacy theory

The key idea of legitimacy theory is that organizational practice arises from expectations in the social contract (Dowling & Pfeffer, 1957 p.123). The theory of legitimacy is used to understand the behaviour and activities of companies, especially those relating to social and environmental issues. The higher the recognition of an organization's behavior by stakeholders, the stronger the legitimacy of the organization (O'Donovan, 1999, p.66-67).

When an organization's legitimacy is threatened, it is more likely to seek environmental disclosure and adjust its strategy to meet social expectations to regain legitimacy. Suchman (1995 P.587-591) points out that the means for organizations to obtain legitimacy include conform to, select among, and manipulate environments. Conform to environments means that organizations strictly observe the existing system and moral order in their production and management activities and obtain legitimacy through obeying the social system they are in (Suchman, 1995 p. 587). Select among environments refers to the organization's selection of a favorable business environment, such as the target market of products and the region of product sales, to obtain legitimacy (Suchman, 1995 p. 589). Manipulating environments refers to organizations taking the initiative to change the existing system environment to satisfy legality (Suchman, 1995 p. 591). The higher the legitimacy requirement of the institutional environment and the greater the consistency pressure from stakeholders, the easier it is for organizations to adopt a passive strategy, that is, to actively adjust organizational practices to adapt to the current social system to obtain legitimacy.

**Word: 242**

**Analysis**

Legitimacy theory requires that an organization must appear to take into account the rights of the general public, including the environmental and social consequences of its activities (Dowling & Pfeffer, 1957 p.125). Organization legalization is a process that organizations use to meet social expectations. In this article, the pressure of climate change has made institutional investors aware of the damage the growing natural gas industry is doing to the planet. Santos has faced scepticism from investors demanding an immediate review of its relationship with fossil fuel lobbyists. As a result, Santos faces the threat of a lack of legitimacy by failing to meet the expectations of stakeholders.

The theory of legitimacy suggests that if an organization cannot prove that it maintained its activities following the social contract, its stakeholders can revoke the contract (O'Donovan, 1999 p.68). Employees may choose other organizations for work, and investors may choose other enterprises for investment (O'Donovan, 1999 p.68-69). At Santos 's annual investor meeting, more than 43 percent of shareholders ignored the board's decision to support the company's stricter targets for controlling emissions from its operations and end consumers of its products, the company said Investors want Santos to solve the climate problem in line with the Paris agreement, and will refuse to invest if the organization cannot prove its practice of low emissions.

When organizations are faced with the pressure from stakeholders, legitimacy theory holds that organizations will take actions to ensure that their operations are regarded as legitimate in the implied social contract (Suchman, 1995 p. 587). In this article, investors are consistent in their performance on climate change, requiring organizations to develop more stringent emission reduction strategies. As a result, faced with climate-related risk pressures from activist groups and institutional investors, some energy companies are resorting to forced strategies to develop a diversified business strategy and provide long-term value to investors. This is the organization adjusting its practices to maintain its legitimacy.

**Word: 319**

**Conclusion**

Therefore, legitimacy theory can be applied to explain the investors' pressure on Santos and Santos' response in this article.

**Word: 19**

**Article 5 - Australia's top polluter AGL faces push to accelerate coal-fired power exit**

AGL is under pressure from activists and leading investors who are increasingly concerned about climate change. Shareholders are demanding that AGL increase carbon emissions, in particular by reducing its reliance on coal, the world's dirtiest energy source. In the fiscal year 2019, the company emitted more than 42 million tons of carbon dioxide, the most of any Australian business. Some environmentalists were disappointed that AGL did not mention plans to decommissioning coal-fired power plants early. Coal-fired power plants are its biggest source of emissions. As a result, Global, the Norwegian Government Pension Fund, the world's largest sovereign wealth fund, sold its 0.46 per cent stake in AGL earlier this year. In response, AGL chief Executive John Boo said they were prepared to pay a price to meet the demand from customers to use green energy. AGL continues to reaffirm its commitment to the Paris goals.

**Word: 144**

Institutional Theory

The key idea of institutional theory is that organizational practice arises from the power of imitation and the tradition of firmness (Scott, 1987 p.494). The institutional theory assumes that institutions are a key component of the environment. The institutional theory explains why and how organizations look and act the same over time. Regarding the similarity between organizations, the institution will exert isomorphic pressures of coercive, mimetic, and normative types on the practice of organizations (DiMaggio & Powell, 1983 p. 150-154). Coercive isomorphism refers to the pressure from the entity that possesses the resources on which the organization depends (DiMaggio & Powell, 1983 p. 150). Mimetic isomorphism refers to the practice of copying other successful organizations when they are unsure of what to do (DiMaggio & Powell, 1983 p. 151). Normative isomorphism refers to the practice of following professional standards established by educational and training methods, professional networks, and employees across the enterprise (DiMaggio & Powell, 1983, p. 152).

The influence of institutions on organizational practice comes from the individual, organization, and inter-organizational levels (Oliver, 1997 p.102). Every organization has internal institutions to which its members must adhere, which mainly includes the entry institutions, authorization system, and so on. The institution of the organization itself is about whether the organization is allowed to exist and what characteristics the organization needs to have. Pressure from social expectations defines what is socially acceptable and expected organizational behavior. Over time, this makes the behavior of the organizations all the same.

**Word: 246**

**Analysis**

According to institutional theory, to gain legitimacy, organizations tend to have processes and structures of legitimacy to gain meaning and achieve stability, rather than prioritize efficiency (Scott, 1987 p.494). The institutional theory assumes that all organizations in the same industry adhere to external norms. In this article, like all other energy organizations, AGL's practical plans need to be aligned with stronger climate action targets such as the Paris Agreement. By adopting similar structures and practices, organizations can gain institutional context recognition.

The institutional theory believes that the similarity between organizations comes from the isomonic pressures of coercive, mimetic, and normative types (DiMaggio & Powell, 1983 p. 150-154). Coercive isomorphism is associated with public pressure to conform to expectations and demands. Mimetic isomorphism refers to the tendency to imitate organizations that are considered successful. Normative isomorphism emphasizes collective values and beliefs that lead to consistency of action in institutional Settings. As a public expectation, the article said, climate change activists and major investors have put pressure on AGL to raise its carbon emissions levels, particularly to reduce its reliance on the world's dirtiest energy, coal. In response, AGL will close its carbon-intensive coal plants in Victoria and New South Wales by 2036. This is a coercive isomorphism, in which the organization adopts a new structure to maintain legitimacy when pressure is high from an entity that owns the resources on which the organization depends (DiMaggio & Powell, 1983 p. 150).

The influence of institutions on organizational practice is from the individual, organizational and inter-organizational levels (Oliver, 1997 p.102). Inter-organizational pressure will lead to similar organizational practices in the same industry to build their legitimacy and meet public expectations (Oliver, 1997 p.103). In this article, global, the Norwegian government's pension fund, the world's largest sovereign wealth fund, sold its 0.46% stake in AGL, citing its use of thermal coal. This is pressure from society to restructure the AGL to reduce carbon emissions.

**Word: 325**

**Conclusion**

Therefore, institutional theory can be applied to explain the investor's pressure on AGL response to AGL in this article.

**Word: 19**

**References**

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American sociological review, 147-160.

Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. Pacific sociological review , 18 (1), 122-136.

Oliver, C. (1997). The influence of institutional and task environment relationships on organizational performance: The Canadian construction industry. Journal of management studies , 34 (1), 99-124.

O'Donovan, G. (1999). Managing legitimacy through increased corporate environmental reporting: an exploratory study. Interdisciplinary Environmental Review , 1 (1), 63-99.

Scott, W. R. (1987). The adolescence of institutional theory. Administrative science quarterly , 493-511.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. Academy of management review , 20 (3), 571-610.