

# Institutional dynamics and environmental disclosures: insights from Indonesia's energy sector

I Gusti Ayu Made Asri Dwija Putri

*Department of Accounting, Faculty of Economics and Business,  
Udayana University, Denpasar, Indonesia*

Kartika Sari

*Department of Mathematics, Faculty of Mathematics and Natural Sciences,  
Udayana University, Denpasar, Indonesia, and*

Henny Triyana Hasibuan, Putu Agus Ardiana,

Kadek Dwi Linda Yanthi, Ni Wayan Asri Pradnyani and

Ni Wayan Kiki Jayanti Pratiwi Sujana

*Department of Accounting, Faculty of Economics and Business,  
Udayana University, Denpasar, Indonesia*

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## Abstract

**Purpose** – This study aims to examine how institutional pressures (coercive, mimetic and normative) shape environmental disclosures in Indonesia's energy sector, focusing on the balance between symbolic and substantive practices.

**Design/methodology/approach** – Guided by institutional theory, this study uses thematic analysis of interviews with 22 sustainability reporting managers from energy companies listed on the Indonesia Stock Exchange.

**Findings** – Coercive pressures, particularly through the Financial Services Authority Regulation (Peraturan Otoritas Jasa Keuangan) No. 51/2017, have institutionalised sustainability reporting but often lead to symbolic compliance, with minimal integration of sustainability into operations. Mimetic pressures drive the adoption of global frameworks like the Global Reporting Initiative, enhancing legitimacy but lacking local adaptation. Normative pressures encourage stakeholder engagement, but these efforts are often performative, prioritising investor demands over community concerns.

**Research limitations/implications** – While the study focuses on the energy sector, its insights may be relevant to other industries facing similar institutional pressures. Future research could explore evolving institutional dynamics across sectors.

**Practical implications** – Policymakers should enhance enforcement and create incentives for substantive reporting. Companies must balance global standards with local realities and foster meaningful stakeholder engagement.

**Social implications** – Improving the substance of environmental disclosures can enhance corporate accountability and sustainability in high-impact sectors.

**Originality/value** – This study contributes to institutional theory by exploring how coercive, mimetic and normative pressures shape disclosures in an emerging market and highlights the symbolic-substantive dichotomy in sustainability reporting.

**Keywords** Institutional theory, Symbolic compliance, Substantive practices, Sustainability reporting, Environmental disclosures, Energy sector

**Paper type** Research paper



## 1. Introduction

Environmental disclosures are crucial for demonstrating corporate accountability, especially in environmentally impactful industries like the energy sector. However, the nature and depth of these disclosures vary significantly between developed and emerging economies. While companies in developed markets often integrate sustainability disclosures with more substantive environmental performance (Buhmann *et al.*, 2024), businesses in emerging markets, including Indonesia, frequently adopt sustainability reporting as a symbolic compliance mechanism rather than a reflection of genuine environmental commitments (Widhiyani *et al.*, 2025).

Institutional theory offers a framework to understand how external pressures shape organisational behaviour, including disclosure practices. Institutional pressures – coercive (regulatory requirements), normative (societal and professional norms) and mimetic (peer imitation) – significantly influence corporate environmental practices (DiMaggio and Powell, 1983; Dissanayake *et al.*, 2021; Negash and Lemma, 2020). Institutional pressure has been widely applied in prior research on corporate social responsibility (CSR) disclosures in emerging markets (e.g. Darus *et al.*, 2013) and Indonesia specifically (e.g. Rudyanto, 2019). Unlike previous studies that primarily examine the adoption of sustainability reporting frameworks (e.g. Ardiana *et al.*, 2025), this research delineates the nuanced interaction of coercive, mimetic and normative pressures, particularly within Indonesia's energy sector, where institutional weaknesses shape symbolic compliance and selective adoption of global standards. In emerging economies like Indonesia, weak regulatory enforcement, limited stakeholder awareness and fragmented governance structures contribute to the prevalence of symbolic compliance (Haji *et al.*, 2023). Coercive pressures often stem from legal mandates, normative influences from societal expectations and mimetic pressures from organisations emulating perceived leaders to gain legitimacy (Daddi *et al.*, 2020; Yang and Kang, 2020). However, previous studies rarely explore how these pressures interact, particularly in emerging markets with evolving institutional frameworks.

One key distinction in CSR reporting between developed and underdeveloped nations lies in the board's comprehension of sustainability reporting. In Indonesia, the understanding of CSR and environmental reporting among corporate boards remains inadequate, leading to disclosures that prioritise form over substance. Many companies adopt global sustainability frameworks such as the Global Reporting Initiative (GRI) or comply with local regulations like the Financial Services Authority Regulation (*Peraturan Otoritas Jasa Keuangan* or POJK) No. 51/2017 to gain legitimacy rather than to drive substantive environmental improvements (Gunawan *et al.*, 2022). Unlike prior studies, this research critically examines how corporate boards' limited understanding influences the extent to which institutional pressures lead to meaningful sustainability disclosures or mere symbolic compliance.

Research on environmental disclosures in developed economies has highlighted the critical role of stringent regulatory regimes in fostering transparency and substantive reporting (Meng *et al.*, 2019). These studies emphasise that in countries with mature institutional structures, companies are more likely to align their disclosures with genuine environmental performance. By contrast, in emerging markets, institutional voids – such as weak enforcement, limited stakeholder awareness and fragmented regulatory frameworks – often result in disclosures being symbolic rather than substantive (Haji *et al.*, 2023). For instance, companies in such contexts may report environmental initiatives primarily to signal compliance or legitimacy without implementing substantive environmental practices.

Existing studies on Indonesia's environmental disclosures have primarily focused on the adoption of international reporting standards, such as the GRI and the challenges of

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harmonising these frameworks with local contexts (Gunawan *et al.*, 2022). These studies provide valuable insights into the technical and operational aspects of sustainability reporting but often overlook the broader institutional dynamics that drive these practices. For instance, Darus *et al.* (2013) highlight how mimetic isomorphism influences CSR disclosures, while Rudyanto (2019) finds that companies in Indonesia imitate sustainability reporting practices for legitimacy rather than substantive commitment. This study extends this literature by analysing how coercive pressures interact with mimetic and normative influences, producing a duality of symbolic and substantive disclosures in Indonesia's energy sector. Moreover, while prior research acknowledges the introduction of the POJK No. 51/2017 as a landmark regulation mandating sustainability reporting (Ardiana *et al.*, 2025), there is limited empirical evidence on how this coercive pressure interacts with normative and mimetic influences in shaping reporting behaviour.

Another significant gap in the literature lies in the symbolic versus substantive nature of environmental disclosures. While several studies suggest that symbolic compliance – where disclosures are used as a façade to meet external expectations without meaningful environmental actions – is prevalent in emerging markets (Ahmad *et al.*, 2022; Shalique *et al.*, 2022), they often fail to explore how these symbolic practices coexist with substantive efforts. This duality is particularly relevant in Indonesia's energy sector, where companies face conflicting demands from global investors, local communities and regulators. Understanding how these companies navigate these competing pressures to construct their environmental narratives remains underexplored.

This study addresses these gaps by critically examining the institutional dynamics shaping environmental disclosures in Indonesia's energy sector. By analysing interviews with sustainability reporting managers from leading energy companies listed on the Indonesia Stock Exchange, this research investigates the interplay of coercive, normative and mimetic pressures and assesses the extent to which these pressures drive symbolic compliance or substantive environmental performance. This research is guided by the central research question:

*RQ1.* How do institutional pressures shape environmental disclosures in Indonesia's energy sector, and how do symbolic compliance and substantive environmental performance coexist within these pressures?

By answering this question, the study contributes to the institutional theory literature by highlighting the unique challenges of CSR reporting in an emerging market context, particularly the role of weak regulatory enforcement, mimetic adoption of global standards and performative stakeholder engagement. Understanding these dynamics is essential for policymakers, regulators and corporate leaders seeking to enhance the credibility and impact of environmental disclosures in Indonesia.

The remainder of this paper is organised as follows: Section 2 reviews the extant literature; Section 3 outlines the research methods; Sections 4 and 5 present and discuss the findings, respectively; Section 6 outlines the practical implications; and Section 7 provides the conclusion.

## 2. Literature review

### 2.1 Institutional theory and environmental disclosures

Institutional theory provides a key framework for understanding how external pressures shape organisational behaviours, including environmental disclosures. It highlights the role of coercive, normative and mimetic pressures in driving conformity. Coercive pressures, arising from regulatory mandates, compel compliance to maintain legitimacy and avoid

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sanctions. In developed economies, strong regulatory frameworks promote substantive disclosures, aligning reported practices with actual performance (Mason, 2020). However, in emerging markets like Indonesia, regulatory gaps and weak enforcement often lead to symbolic compliance, where disclosures serve as superficial signals rather than genuine environmental efforts (Ahmad *et al.*, 2022).

Normative pressures, driven by professional norms, industry standards and societal expectations, significantly influence environmental disclosures. Global frameworks like the GRI create expectations for standardised reporting to demonstrate accountability and align with international benchmarks (Patten, 2020). However, in evolving contexts like Indonesia, the integration of these standards is often superficial. Gunawan *et al.* (2022) highlight that organisations adopt such frameworks mainly to signal legitimacy, focusing on external expectations rather than genuine sustainability commitments.

Mimetic pressures influence environmental disclosures as organisations imitate industry leaders to gain legitimacy and reduce uncertainty (DiMaggio and Powell, 1983). In the energy sector, this often involves replicating global peers' practices, even if they do not suit local contexts (Yang and Kang, 2020). While imitation enhances comparability and legitimacy, it frequently leads to homogenised disclosures that obscure substantive differences, especially in emerging markets where symbolic compliance often outweighs genuine environmental improvements.

The phenomenon of decoupling, where disclosures diverge from actual practices, enables organisations to symbolically conform to institutional pressures while retaining operational flexibility (Boxenbaum and Jonsson, 2017; Talpur *et al.*, 2024). This is especially relevant in Indonesia's energy sector, where firms balance demands from global investors, local communities and regulators. While institutional theory rationalises decoupling as a response to external pressures, it has been critiqued for overlooking organisational agency. Lawrence and Suddaby (2006) emphasise the role of institutional work, where organisations actively influence pressures through strategies like lobbying or redefining stakeholder expectations.

Institutional theory, while valuable, has limitations in explaining environmental disclosures. It often overfocuses on organisational conformity, neglecting resistance, innovation and the unique mediating factors in emerging markets (Mahmood and Uddin, 2021). Its binary view of disclosures as either symbolic or substantive oversimplifies the interplay between pressures and responses, overlooking hybrid practices combining symbolic compliance with genuine sustainability efforts. Institutional theory effectively explains how coercive, normative and mimetic pressures shape environmental disclosures (DiMaggio and Powell, 1983) and highlights the prevalence of symbolic compliance in weak regulatory contexts (Ahmad *et al.*, 2022). Enhancing its explanatory power requires integrating organisational agency and contextual variability.

## 2.2 Contextual background

Indonesia has played a significant role in global politics and international economic interactions, introducing new concepts in governance and sustainability debates (Datta *et al.*, 2011). Since its independence in 1945, its "free and active" foreign affairs policy has reflected openness to global cooperation (Shekhar, 2018). As a founding member of the Association of Southeast Asia Nations (ASEAN), Indonesia actively supports regional economic integration through initiatives like the ASEAN Economic Community, which emphasises sustainability (ASEAN, 2015). *Reformasi* (reform), initiated after the 1998 economic crisis, brought political and economic stabilisation through constitutional amendments and democratic reforms, boosting interest in voluntary sustainability reporting (Hill, 1999). The shift from the New Order era to the Reform Era enabled a multi-party

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system, freedom of expression and the rise of media and non-government organisations (NGOs), laying the foundation for stakeholder engagement in sustainability practices (Crouch, 2010).

As Southeast Asia's largest economy and a G20 member, Indonesia remains a top investment destination despite recent gross domestic product declines due to the COVID-19 pandemic (World Bank, 2023). Its position as a leading exporter of commodities like crude palm oil and nickel ore has prompted measures to promote sustainability and mitigate environmental risks (Rifai-Hasan, 2009). Indonesian companies in environmentally sensitive industries, such as energy companies, strive to align with global frameworks like the International Organisation for Standardisation standards to enhance competitiveness and sustainable practices (Djajadikerta and Tlireksani, 2012). However, these industries face increasing calls for responsible practices to address their long-term environmental and social impacts (Welker, 2014).

The institutionalisation of sustainability reporting in Indonesia was not merely a top-down regulatory imposition but the result of extensive institutional work by key actors. Ardiana *et al.* (2025) highlight how corporate actors, particularly ALPHA, played a crucial role in the institutionalisation of sustainability reporting through boundary work and normative framing. ALPHA, an institutional entrepreneur affiliated with the GRI, introduced GRI-based reporting, conducted in-house training for executives and engaged with regulators, helping shape corporate norms long before POJK 51 / 2017 was enacted. This institutional entrepreneurship contributed to the regulatory acceptance of sustainability reporting, embedding it as a corporate governance practice. By aligning sustainability reporting with cultural values, ALPHA facilitated its gradual transition from a voluntary initiative to a mandatory requirement under Indonesia's sustainable finance framework.

Indonesia, the world's fourth most populous country, had a population of 278.2 million in 2020, with 70.7% in the productive age range (BPS, 2021a). While the country anticipates a demographic bonus by 2045, social issues like poverty and unemployment remain significant challenges, exacerbated by COVID-19, which increased poverty by 10.2% from 2019 to 2020 (BPS, 2021b). Renowned for its rich cultural diversity, Indonesia is home to over 300 local languages, with *Bahasa Indonesia* as the national language (BBC News, 2018). The nation upholds the values of *Pancasila*, emphasising unity and social justice, fostering harmony among its diverse sociocultural groups (Vaessen, 2016). Despite its predominantly Islamic population, Indonesia follows the principle of "unity in diversity" (BBC News, 2010).

While embracing globalisation and modernisation, Indonesia strives to preserve its traditional culture and local wisdom (Davidson and Henley, 2007). However, challenges such as intolerance and regional disparities require addressing through initiatives like CSR. CSR programmes, including scholarships and community engagement, play a critical role in building trust and advancing sustainable development goals (SDGs) (Ghani, 2018; Rifai-Hasan, 2009). To be effective, these programmes must align with local customs and involve meaningful collaboration with communities.

Global commitments to SDGs have prompted the Indonesian government to respond through Presidential Decree No. 59 of 2017, focusing on the Implementation of the Achievement of the SDGs. Additionally, the government has established nine national development priorities under the *Nawacita* platform, aligning with the United Nations' SDGs, with the aim of promoting economic prosperity, social acceptance and environmental awareness of sustainable development in Indonesia (Gunawan *et al.*, 2020; Bappenas, 2019).

Indonesia has implemented legal provisions to promote environmental awareness, social responsibility and sustainable business practices. The Corporation Law No. 40 of 2007

mandates companies engaged in natural resource-related activities to report their social and environmental responsibilities (*Tanggung Jawab Sosial dan Lingkungan*) in annual reports. However, these regulations have been criticised for being fragmented, sector-specific and overly focused on technical compliance rather than fostering transparent and comprehensive sustainability reporting (Waagstein, 2011; Bhinekawati, 2017).

Energy companies operate under a complex regulatory framework, including mandates like the Regulation of the Minister of State-Owned Enterprises (SOEs) No. PER-02/MBU/7/2017, which requires SOEs to allocate up to 4% of after-tax profits to community development programmes (*Program Kemitraan dan Bina Lingkungan*). Compliance with these programmes is tied to directors' performance evaluations and remuneration. Mining companies must also adhere to the community development and empowerment programmes (*Program Pengembangan dan Pemberdayaan Masyarakat*) under the Minister of Energy and Mineral Resources Decree No. 1824 K/30/MEM/2018, with strict reporting requirements and severe penalties for non-compliance, including potential license revocation.

### 3. Research methods

This study aims to investigate how institutional pressures shape environmental disclosures in Indonesia's energy sector and to explore the extent to which these disclosures reflect symbolic compliance or substantive environmental performance. To address the research question: "How do institutional pressures shape environmental disclosures in Indonesia's energy sector, and how do symbolic compliance and substantive environmental performance coexist within these pressures?". The study uses thematic analysis of semi-structured interviews conducted with 22 sustainability reporting managers from energy companies listed on the Indonesia Stock Exchange. These managers were selected based on their direct involvement in the preparation and oversight of environmental disclosures, ensuring their insights reflect both organisational strategies and external pressures influencing reporting practices. The energy sector was chosen due to its significant environmental impact and the increasing regulatory and stakeholder pressures on companies within this industry to disclose sustainability practices. As one of the largest contributors to carbon emissions in Indonesia, the energy sector provides a critical setting to examine how institutional pressures influence environmental disclosures, making it a relevant and meaningful sample for this study. Table 1 outlines the interview guidelines.

The interviews were conducted in Bahasa Indonesia, both online and face-to-face, between June and September 2024. To ensure a rigorous and ethical research process, all 89 energy companies listed on the Indonesia Stock Exchange were contacted via the email addresses provided in their sustainability reports. However, only 22 companies confirmed their willingness to participate in the study. Each email invitation included an ethical clearance letter outlining the study's objectives, confidentiality measures, and voluntary participation. Before each interview, participants were provided with a consent form detailing their rights as interviewees, including anonymity and withdrawal options. They were required to review and sign this form prior to the interview. All interviews were audio-recorded with explicit consent, and identifying information was anonymised using unique codes such as "COMP1" to "COMP22" to protect participant confidentiality and ensure privacy. Table 2 presents an overview of the interviewees' profiles, including their positions, ages, educational backgrounds and interview durations, providing a comprehensive understanding of the diversity of perspectives captured.

Table 2 presents an overview of the interviewees and key details of the interviews conducted for the study. The table includes 22 sustainability reporting professionals from

**Table 1.** Semi-structured Interview guidelines

No.	Interview questions
1	Can you tell me about your current role and responsibilities related to sustainability reporting in your company?
2	How long have you been involved in sustainability or environmental reporting, and what changes have you observed during this time?
3	What do you see as the main drivers for environmental reporting in your company and industry?
4	How does your company respond to regulatory mandates related to environmental reporting?
5	Can you describe any challenges or benefits your company has experienced in complying with regulatory requirements?
6	What role do audits or inspections play in shaping your reporting practices?
7	What role do professional associations or industry guidelines play in shaping your company's environmental disclosures?
8	How does your company align its disclosures with the expectations of industry peers, NGOs, or other stakeholders?
9	Does your company benchmark its environmental disclosures against those of global or local peers? If so, how does this affect your reporting?
10	Can you provide examples of practices or strategies your company has adopted from other companies?
11	To what extent do your disclosures reflect the company's real environmental initiatives and performance?
12	Are there areas where your company discloses information primarily to enhance its legitimacy rather than to provide a full account of its environmental impact?
13	Who are the key stakeholders influencing your environmental reporting, and how does your company address their concerns?
14	Can you share examples of how feedback from stakeholders has been incorporated into your disclosures?
15	In your opinion, what are the biggest drivers of environmental reporting in your industry?
16	How do you see the role of environmental disclosures evolving in the future?
17	Is there anything we have not covered that you feel is important for understanding your company's approach to environmental disclosures?
18	Do you have any final thoughts on how institutional pressures influence environmental reporting practices in your sector?
19	Would you like to share any suggestions for improving environmental reporting in the energy sector?

**Source(s):** Authors' own work 2024

energy companies listed on the Indonesia Stock Exchange. The participants held diverse roles, such as sustainability reporting manager, CSR manager and vice president of CSR, ensuring a wide range of perspectives. The interviewees comprised 3 females and 19 males, with ages ranging from 33 to 48 years. Their educational backgrounds varied, with most holding bachelor's degrees while a few had attained master's degrees. The duration of the interviews ranged from 61 to 116 min, reflecting the depth of the discussions and the comprehensive insights gathered on environmental disclosures and institutional pressures. This diversity in roles, educational qualifications and interview durations highlights the richness of the data collected for thematic analysis.

The thematic analysis approach (Clarke and Braun, 2016) was chosen for its ability to identify, analyse and interpret patterns within qualitative data. This method is particularly suited to uncovering how coercive, normative and mimetic pressures manifest in the reporting practices of energy companies, as well as the extent to which these pressures drive symbolic or substantive actions. The analysis was conducted iteratively, with initial codes

**Table 2.** Characteristics of interviewees and interviews

Code of interviewees	Interviewee's position	Interviewee's sex	Interviewee's age (years old)	Interviewee's education	Interview duration (minutes)
COMP1	Sustainability reporting manager	Female	43	Master's degree	61
COMP2	Sustainability reporting manager	Male	39	Bachelor's degree	65
COMP3	Sustainability reporting manager	Male	33	Bachelor's degree	116
COMP4	Sustainability reporting manager	Male	39	Bachelor's degree	61
COMP5	Vice president of corporate social responsibility	Male	39	Bachelor's degree	105
COMP6	Sustainability reporting manager	Female	33	Bachelor's degree	71
COMP7	Head of investor relations	Male	39	Bachelor's degree	68
COMP8	Vice president of corporate secretary	Male	48	Master's degree	97
COMP9	Corporate social responsibility manager	Male	43	Bachelor's degree	69
COMP10	Sustainability reporting manager	Male	44	Bachelor's degree	75
COMP11	Sustainability reporting manager	Male	45	Bachelor's degree	64
COMP12	Sustainability reporting manager	Male	42	Bachelor's degree	98
COMP13	Corporate social responsibility manager	Female	43	Master's degree	68
COMP14	Corporate external reporting manager	Male	39	Bachelor's degree	97
COMP15	Sustainability reporting manager	Male	33	Bachelor's degree	69
COMP16	Vice president of corporate social responsibility	Male	39	Bachelor's degree	75
COMP17	Sustainability reporting manager	Male	48	Bachelor's degree	64
COMP18	Sustainability reporting manager	Male	43	Bachelor's degree	68
COMP19	Corporate social responsibility manager	Male	45	Master's degree	97
COMP20	Sustainability reporting manager	Male	42	Bachelor's degree	69
COMP21	Sustainability reporting manager	Male	43	Bachelor's degree	75
COMP22	Sustainability reporting manager	Male	39	Bachelor's degree	64

**Source(s):** Authors' own work 2024

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developed based on institutional theory, followed by emergent themes derived from the data. This approach ensured that both theoretical constructs and participant narratives were integrated into the findings. This research did not use NVIVO or any artificial intelligence-assisted software for thematic analysis. Instead, the researchers thoroughly read and manually coded the transcribed interview transcripts, highlighting common themes and discussing the most appropriate labels for these themes. While software tools like NVIVO can assist in managing large data sets, manual thematic analysis allows for a deeper, more interpretative approach, ensuring a nuanced understanding of the data. The validity of this approach was strengthened through peer debriefing (Spall, 1998), where multiple researchers reviewed and discussed the coding framework to minimise bias and enhance reliability. Reliability was ensured through a systematic coding process, where two independent researchers cross-checked the coding framework and emerging themes, refining the categorisation process to maintain consistency. This iterative approach aligns with best practices in qualitative research (Nowell *et al.*, 2017) by enhancing the trustworthiness and credibility of the results.

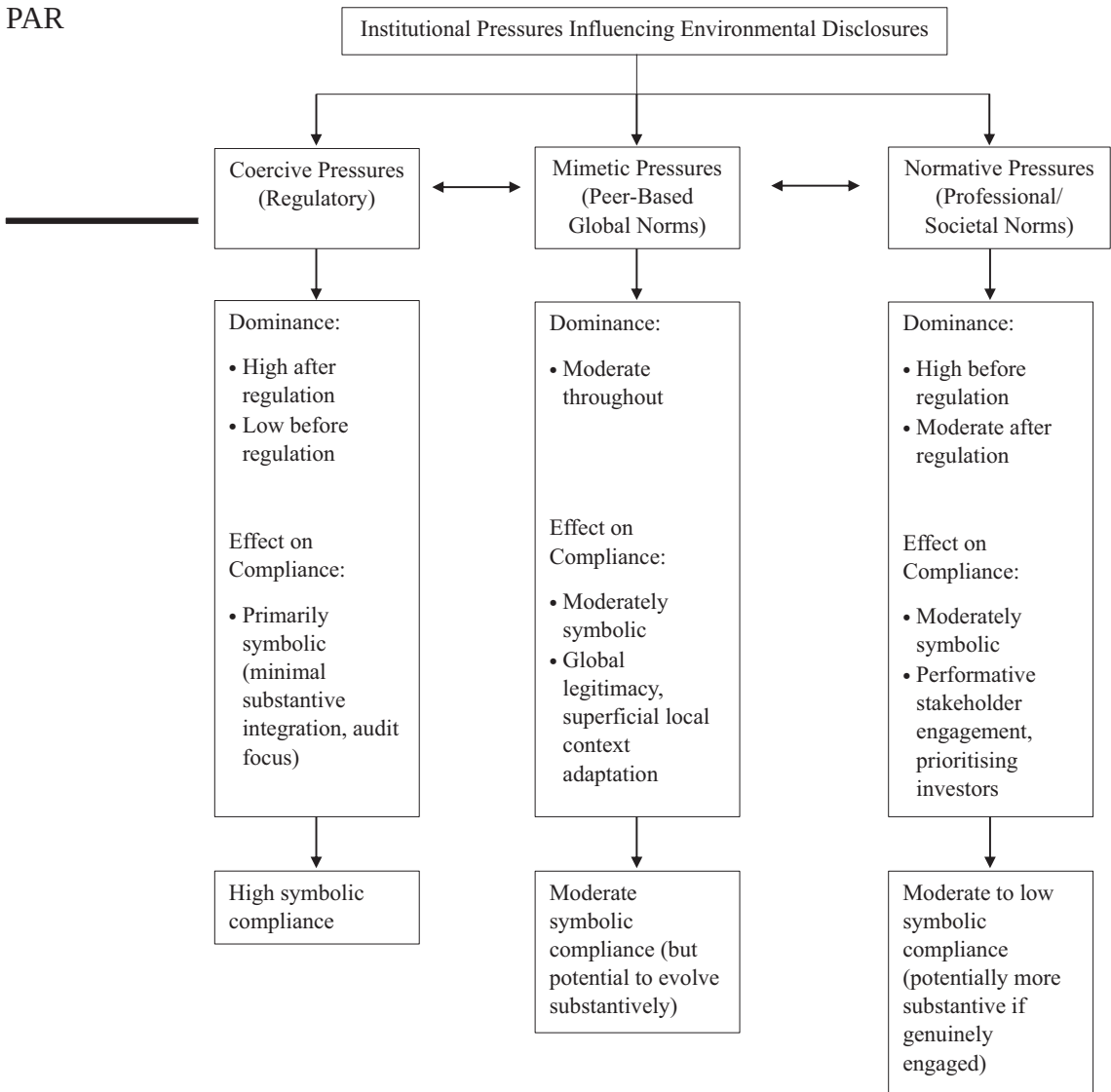
#### 4. Research findings

Thematic analysis of interviews with 22 sustainability reporting managers (coded as COMP1–COMP22) reveal three key themes: regulatory compliance versus substantive reporting, mimetic practices in sustainability reporting and stakeholder engagement as a normative pressure. These themes highlight the nuanced and often contradictory dynamics of institutional pressures in shaping corporate behaviour. Figure 1 shows the dynamics and interrelationships of coercive, mimetic and normative pressures influencing symbolic and substantive environmental disclosures by Indonesia's energy companies.

Figure 1 illustrates the dynamics and interrelationships of coercive, mimetic and normative institutional pressures shaping environmental disclosures in Indonesia's energy sector. Coercive pressures, primarily stemming from mandatory regulations (POJK No. 51 / 2017), dominate in the post-regulation period and strongly drive symbolic compliance, as companies prioritise meeting minimum regulatory requirements and audit expectations rather than substantive environmental integration. Mimetic pressures have maintained moderate influence, prompting companies to imitate global standards such as the GRI to gain legitimacy, but often without substantial adaptation to local contexts. Normative pressures were initially highly influential due to institutional entrepreneurs like ALPHA embedding sustainability reporting norms early on. However, post-regulation, their influence has moderated, typically resulting in performative stakeholder engagement that emphasises investor expectations over genuine community concerns. While coercive pressures currently prompt the highest level of symbolic compliance, mimetic and normative pressures hold the potential to encourage more substantive practices if companies genuinely integrate global standards and stakeholder feedback into their strategies.

##### 4.1 Regulatory compliance vs substantive reporting

Regulatory compliance, driven by POJK No. 51/2017, has significantly influenced environmental disclosures in Indonesia's energy sector. This landmark regulation institutionalised sustainability reporting by requiring financial institutions, issuers and public companies to disclose sustainability issues and performance. While participants acknowledged its role in establishing a reporting baseline, they also raised concerns that it often leads to symbolic compliance, focusing on meeting regulatory demands rather than genuine environmental efforts (Talpur *et al.*, 2024).



Source(s): Authors’ own work 2024

**Figure 1.** Dynamics and interrelationships of institutional pressures shaping symbolic and substantive environmental disclosures by Indonesia’s energy companies

To encourage substantive reporting, incentives could play a crucial role. Previous studies highlight that regulatory bodies in some jurisdictions have successfully incentivised comprehensive sustainability reporting through financial rewards, preferential procurement opportunities or reputational benefits (Ahmad *et al.*, 2022). However, incentives alone may

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not be sufficient to ensure meaningful environmental action. If companies are only motivated by external rewards, they might optimise reporting practices to meet incentive criteria rather than implement substantive environmental improvements. Therefore, it is essential to complement incentives with stricter enforcement mechanisms and third-party audits to ensure credibility.

One manager (COMP12) remarked:

POJK 51/2017 was a wake-up call for the industry. Before this, most companies didn't even think about sustainability reporting. But now, it feels like a race to avoid penalties rather than a drive for real change.

This sentiment reflects the dual nature of coercive pressures: while they compel organisations to adopt reporting practices, they often fail to foster substantive changes in environmental performance. Another interviewee (COMP5) shared a similar perspective, stating, "We're spending more time on the structure of the report than on actual improvements in our environmental impact. It's about making sure everything looks good on paper for the auditors". This highlights how the focus on audits and regulatory compliance often diverts attention from addressing operational environmental challenges.

Some participants acknowledged the positive impact of the regulation in standardising disclosure practices, yet they pointed out its limitations in encouraging innovation or exceeding the minimum requirements. "The regulation gives us a starting point, but it doesn't reward companies that go beyond compliance. It's more about avoiding penalties than achieving excellence", explained one manager (COMP19). To encourage substantive reporting, incentives could play a crucial role. However, incentives alone may not be sufficient to ensure meaningful environmental action. If companies are only motivated by incentives, they might optimise reporting to maximise benefits rather than genuinely improving sustainability practices.

Despite these criticisms, a few participants expressed cautious optimism about the long-term potential of POJK No. 51/2017. A head of investor relations (COMP7) noted, "The regulation is still new, and it's already creating conversations about sustainability in boardrooms. Over time, I think it could push us towards more meaningful actions". This suggests that regulatory mandates when paired with properly designed incentives and enforcement, could drive both compliance and genuine improvements in environmental performance.

These findings align with institutional theory's perspective on coercive pressures, which often enforce formal compliance without necessarily transforming underlying practices. The tendency for companies to prioritise appearances over substance reflects a broader challenge in emerging markets, where regulatory frameworks are evolving and enforcement mechanisms are often limited. To move beyond symbolic compliance, regulatory bodies could introduce performance-based incentives, such as tax reductions, preferential treatment in government contracts, or access to green financing, for companies that demonstrate substantive environmental improvements. However, these incentives must be carefully designed to prevent companies from merely optimising reports to gain rewards without making meaningful environmental progress. Without additional incentives or accountability measures, coercive pressures like POJK No. 51/2017 risk perpetuating a culture of symbolic adherence, where disclosures meet external expectations but fail to drive genuine environmental improvements (Ahmad *et al.*, 2022). This tension between compliance and substantive reporting highlights the need for a regulatory environment that not only mandates disclosure but also encourages companies to integrate sustainability into their core operations.

#### 4.2 *Mimetic practices in sustainability reporting*

Mimetic pressures emerged as a prominent factor shaping environmental disclosures, with many companies striving to benchmark their practices against global peers. Participants frequently emphasised the importance of adopting internationally recognised frameworks such as the GRI to align with global expectations and enhance their legitimacy. However, while these frameworks provided companies with templates for reporting, the extent to which they were meaningfully implemented internally varied significantly.

“We look at what global leaders are doing and try to replicate that. It makes us look credible to investors, especially those from abroad”, explained a vice president of corporate secretary (COMP8). This sentiment reflects the strategic rationale behind mimetic behaviours, particularly for companies seeking to attract foreign investment or align with global sustainability trends. However, when asked whether these mimetic tactics were adopted without contextual modification, several interviewees acknowledged that adaptation was limited, though not entirely absent. While some elements of global frameworks were integrated, companies often struggled to tailor them effectively to Indonesia’s unique regulatory and environmental landscape.

A clear example of this is the widespread adoption of carbon offset schemes that prioritise afforestation projects while overlooking critical local environmental issues, such as the degradation of mangrove ecosystems in Indonesia. While reforestation initiatives are commonly highlighted in sustainability reports to mirror global best practices, they often fail to address the loss of mangrove forests, which play a crucial role in carbon sequestration and coastal protection. As one manager (COMP10) explained, “We emphasise tree planting projects because they are well-received globally, but there’s little discussion on protecting mangroves, which are actually more effective for carbon absorption in our coastal areas”. This illustrates how mimetic pressures can lead to a narrow focus on global norms while neglecting locally relevant environmental concerns. Another participant (COMP16) described this process as “borrowing legitimacy” from established standards: “Our reports look professional because we follow the GRI format, but adapting these standards to the Indonesian context is a challenge we haven’t fully addressed”. This highlights the practical difficulties companies face in reconciling global frameworks with local realities, such as differing regulatory environments, resource constraints or stakeholder priorities.

The findings further clarify that while mimetic practices enhance the credibility of corporate disclosures, they do not always replace substantive initiatives. Several companies acknowledged efforts to implement sustainability measures beyond symbolic reporting, though these were often limited by institutional constraints and resource availability. For example, some firms sought to align reporting with international best practices while also incorporating specific environmental challenges unique to Indonesia. Some participants were candid about the superficiality of their mimetic practices. “Sometimes, it’s a copy-paste job. We align with what others are doing without questioning if it makes sense for us”, admitted one manager (COMP1). Such admissions reveal a critical gap between the appearance of global alignment and the substantive integration of these practices into daily operations. For some companies, the motivation to emulate leading global peers was more about signalling legitimacy and meeting investor expectations than genuinely advancing their sustainability efforts.

The overreliance on global templates can also lead to reporting blind spots. For example, while Indonesian companies commonly disclose greenhouse gas emissions from direct operations (Scopes 1 and 2) following international standards, many fail to report emissions from peatland degradation and forest fires, which are highly relevant in Indonesia but not always emphasised in global disclosure norms. As noted by a sustainability manager

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(COMP14), “We adopt the frameworks used by large multinational companies, but those standards don’t necessarily reflect Indonesia’s unique environmental challenges”. This further reinforces the need for companies to adapt global reporting practices to local environmental priorities.

Despite these challenges, some managers saw potential benefits in mimetic practices, particularly as a starting point for companies with limited experience in sustainability reporting. “Following global standards gives us a structure to start with, even if we can’t implement everything immediately. Over time, we can build on that foundation”, said a sustainability reporting manager (COMP20). This perspective suggests that while mimicry may initially be superficial, it could serve as a stepping stone towards more substantive practices as companies mature in their reporting processes.

Mimetic behaviours, as described by institutional theory, allow organisations to gain legitimacy by imitating the practices of perceived leaders. However, the findings reveal a disconnect between the form and substance of environmental disclosures, raising questions about their credibility. In an emerging market context like Indonesia, where institutional frameworks are still evolving, this gap poses a significant challenge. The emphasis on aligning with global standards often leads to homogenised reports that fail to capture the complexities of local realities, limiting their relevance and impact (DiMaggio and Powell, 1983; Yang and Kang, 2020). The tension between global legitimacy and local adaptation highlights the need for tailored sustainability practices. Instead of merely adopting global reporting norms, Indonesian companies should integrate local environmental concerns, such as peatland degradation and mangrove conservation, into their sustainability disclosures to ensure that reporting reflects both international expectations and pressing domestic issues. Moving beyond imitation to address specific operational and environmental challenges can bridge the gap between symbolic and substantive reporting, enhancing disclosure credibility.

#### 4.3 Stakeholder engagement as a normative pressure

Stakeholder engagement emerged as a central theme in shaping environmental disclosures, driven primarily by normative pressures. Managers consistently identified key stakeholders – such as investors, regulators and local communities – as critical audiences for their sustainability reports. These groups often have differing expectations, creating complex dynamics that organisations must navigate. However, many participants acknowledged that stakeholder engagement is frequently more symbolic than substantive, aimed at meeting institutional norms rather than driving meaningful change:

Honestly, engaging stakeholders feels more like a formality than anything else”, admitted one participant (COMP13).

We do it because it’s expected of us by regulators and investors, but at the end of the day, it’s more about showing that we’re listening than actually making big changes based on what they say. For example, we hold meetings with local communities, but their concerns often don’t make it into the final report because they don’t align with what the company is focusing on.

This perspective highlights a common critique of stakeholder engagement: while companies outwardly appear to involve stakeholders, the actual influence of these engagements on disclosure practices is often minimal. Another participant (COMP4) elaborated, “We hold consultations with local communities, but their input rarely influences our reports in a meaningful way. It’s more about showing that we’ve done the consultation”.

The performative nature of these engagements aligns with institutional theory’s emphasis on the role of normative pressures in reinforcing legitimacy. Organisations

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engage with stakeholders to signal compliance with societal expectations, even if the substantive impact of such engagement is limited. Interestingly, several participants discussed the tension between stakeholder demands and organisational priorities. Investors, for example, were often seen as the most influential stakeholders due to their financial power, but their focus on high-level metrics sometimes overshadowed localised issues raised by communities. “Our investors are more concerned with seeing GRI-aligned reports and emissions reductions, while communities want to know how we’re addressing local pollution. It’s hard to balance those demands”, explained one manager (COMP7).

Despite these challenges, some managers described efforts to incorporate stakeholder feedback into reporting practices when it aligned with corporate goals. “When stakeholders raise issues that resonate with our strategic objectives, like improving energy efficiency, we take action. But if the feedback is outside our scope, it’s harder to justify changes”, shared one participant (COMP18). This selective integration of stakeholder concerns highlights the pragmatic approach many organisations take towards engagement. Another participant (COMP5) highlighted the strategic importance of investor-focused reporting: “Investors are our primary audience. If we can satisfy them with detailed disclosures, it legitimises everything else we do. Communities matter, but investors keep the lights on”. This comment reflects a prioritisation of stakeholders based on their perceived power and influence, which often leads to a hierarchy of engagement.

Some participants expressed frustration with the superficiality of stakeholder engagement. “Sometimes it feels like a checkbox exercise. We engage stakeholders because it’s expected, but the outcomes rarely lead to significant changes in how we operate”, explained one manager (COMP11). This sentiment highlights the challenges of moving beyond symbolic gestures towards genuine dialogue and transformation. However, a few participants emphasised the potential of stakeholder engagement as a catalyst for improvement. “We’ve started using stakeholder feedback to identify material issues for our reports. It’s not perfect, but it’s a step towards making disclosures more relevant and impactful”, noted one interviewee (COMP20). This indicates that while stakeholder engagement often begins as symbolic compliance, it has the potential to evolve into a more substantive practice.

One way to bridge the gap between symbolic and substantive engagement is to introduce targeted incentives for companies that actively incorporate stakeholder concerns into their sustainability strategies. For instance, firms that develop community-driven environmental initiatives – such as pollution reduction programmes or ecosystem restoration efforts – could receive regulatory benefits, tax relief or recognition in industry sustainability indices. Additionally, raising awareness about the long-term benefits of substantive engagement, such as improved corporate reputation and stronger regulatory relationships, could encourage companies to take stakeholder input more seriously.

The findings highlight the dual role of normative pressures in institutional theory. Stakeholder engagement signals responsiveness to societal norms but often remains performative, limiting its transformative potential when organisational priorities conflict with stakeholder demands (Buhmann *et al.*, 2024). To move beyond symbolic gestures, companies must establish mechanisms that ensure stakeholder input is both valued and actionable. Encouraging businesses to address local environmental concerns – such as air and water quality, deforestation and industrial waste – rather than just aligning with global reporting frameworks could enhance the credibility of sustainability disclosures.

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## 5. Discussion of research findings

This section discusses the research findings in light of the research question: “How do institutional pressures shape environmental disclosures in Indonesia’s energy sector, and how do symbolic compliance and substantive environmental performance coexist within these pressures?” Using institutional theory as a framework, the findings highlight the interplay of coercive, mimetic and normative pressures in shaping corporate environmental reporting, often resulting in a tension between symbolic compliance and substantive environmental accountability.

### 5.1 Coercive pressures: institutionalising compliance or reinforcing symbolism?

Coercive pressures, driven primarily by regulatory mandates such as POJK No. 51/2017, have played a pivotal role in shaping environmental disclosures in Indonesia’s energy sector. As institutional theory posits, coercive pressures compel organisations to conform to external requirements to maintain legitimacy and avoid penalties (DiMaggio and Powell, 1983). The regulation has succeeded in creating a baseline for sustainability reporting by mandating disclosures across industries, and ensuring formal compliance.

However, the findings reveal that this compliance often remains symbolic. Many organisations prioritise meeting regulatory requirements, such as audit readiness and the inclusion of prescribed metrics, over embedding sustainability into core operations. This aligns with Ahmad *et al.*'s (2022) critique of symbolic compliance, where companies adopt reporting practices that satisfy external expectations without addressing substantive environmental issues. In the Indonesian context, limited enforcement mechanisms and a lack of incentives to disclose beyond mandatory requirements further exacerbate this symbolic adherence.

To encourage companies to move beyond symbolic compliance, policymakers could introduce targeted incentives that reward substantive sustainability efforts. Previous research suggests that incentives such as tax breaks, preferential loan rates for firms investing in renewable energy and regulatory advantages could drive more meaningful disclosures. For example, tax reductions could be linked to verifiable reductions in carbon emissions, while preferential government procurement opportunities could be offered to companies with proven sustainability commitments. However, incentives alone are not a silver bullet. There is a risk that companies may optimise their reports to meet eligibility criteria for incentives without making substantive environmental improvements.

A key challenge remains: How can incentives ensure that companies internalise sustainability as a core value rather than merely seeking financial benefits? If incentives are structured poorly, companies might manipulate reports to qualify for rewards without making substantial operational changes. Therefore, regulatory bodies must design mechanisms to assess whether environmental improvements are genuine, such as requiring independent third-party audits or linking incentives to long-term sustainability performance rather than short-term disclosure efforts.

While coercive pressures can institutionalise reporting practices, their transformative potential remains limited without complementary mechanisms that incentivise substantive performance. A hybrid approach – combining incentives for substantive action with stricter enforcement measures – could encourage deeper corporate engagement with sustainability. For instance, linking sustainability-related incentives with penalties for companies that fail to demonstrate measurable improvements could prevent companies from merely treating reporting as a box-ticking exercise. Additionally, policymakers should consider penalties for companies that fail to demonstrate measurable environmental improvements despite reporting compliance. This dual approach – combining incentives for substantive action with

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sanctions for symbolic compliance – could encourage companies to engage in more meaningful environmental practices. As such, the current regulatory framework, while effective in standardising disclosures, risks perpetuating a culture of minimal compliance unless supported by a broader systemic shift that integrates financial incentives, independent verification and stronger enforcement mechanisms.

### *5.2 Mimetic pressures: aligning with global standards or neglecting local contexts?*

Mimetic pressures, characterised by the emulation of practices from leading organisations, also significantly influence environmental disclosures in Indonesia's energy sector. According to institutional theory, organisations in uncertain environments often imitate the practices of perceived leaders to enhance their legitimacy and reduce uncertainty (DiMaggio and Powell, 1983; Yang and Kang, 2020). The adoption of internationally recognised frameworks, such as the GRI, exemplifies this dynamic.

The findings reveal that while mimetic practices enhance the credibility of corporate disclosures, they do not always replace substantive initiatives. Several interviewees acknowledged that their companies engage in mimetic behaviours but noted that adaptation to the local context is often superficial or selective. These responses suggest that mimetic pressures drive symbolic compliance, particularly when companies adopt global frameworks without fully integrating them into their operations. However, some participants highlighted instances where mimetic practices serve as an initial step towards substantive efforts. For example, firms that first adopted sustainability reporting as a legitimacy-seeking exercise later expanded their disclosures to include more locally relevant environmental issues.

Companies align their reporting practices with global norms to attract foreign investment and satisfy global stakeholders, but these efforts frequently result in homogenised disclosures that fail to address local environmental challenges. This tension between global legitimacy and local relevance highlights the limitations of mimetic pressures in fostering substantive accountability, particularly in emerging markets like Indonesia, where institutional frameworks are still evolving. Yang and Kang (2020) note that mimetic behaviours can lead to symbolic alignment with global standards, as companies adopt practices that signal legitimacy without fully integrating them into operations. This was evident in the study's findings, where global benchmarking often overshadowed localised priorities. To address this disconnect, companies must balance the adoption of global standards with practices that are tailored to their specific environmental and social contexts. Encouraging such adaptation could help bridge the gap between symbolic compliance and substantive reporting.

### *5.3 Normative pressures: the illusion of engagement*

Normative pressures, driven by societal expectations, professional norms and stakeholder demands, play a critical role in shaping corporate behaviour. Institutional theory suggests that organisations adopt practices that align with societal norms to maintain legitimacy (Durand *et al.*, 2019). In the context of environmental disclosures, stakeholder engagement emerged as a key normative pressure in the study's findings.

While companies engage with diverse stakeholder groups – including investors, regulators and local communities – the findings suggest that these engagements often remain performative. Organisations prioritise stakeholder engagement as a signalling mechanism, demonstrating responsiveness to societal expectations without necessarily incorporating stakeholder input into their strategic or operational decisions. This aligns

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with [Buhmann et al.'s \(2024\)](#) critique of stakeholder engagement in sustainability reporting, which often emphasises appearance over action.

The prioritisation of investor demands over local community concerns further highlights the limitations of normative pressures in driving substantive engagement. Financially powerful stakeholders, such as global investors, often shape the content and focus of disclosures, sidelining less influential groups. This imbalance reflects the hierarchical nature of stakeholder prioritisation, which institutional theory critiques as reinforcing legitimacy for select audiences at the expense of broader accountability ([Buhmann et al., 2024](#)).

Despite frequent references to pollution and emissions in corporate sustainability reports, disclosures often fail to address specific local concerns such as access to clean water, industrial waste management, or deforestation. This disconnect between standardised global reporting frameworks and the lived environmental realities of local communities raises concerns about the substantive impact of stakeholder engagement. Aligning disclosures with local priorities could enhance both credibility and corporate accountability.

Despite these challenges, normative pressures hold significant potential to drive meaningful change. When organisations prioritise genuine dialogue and integrate diverse stakeholder perspectives into their decision-making processes, engagement can move beyond symbolic compliance to foster substantive accountability. Regulatory bodies and industry associations could introduce structured incentives for firms that demonstrate a commitment to addressing local environmental concerns. These could include preferential access to sustainability-linked financing, recognition in corporate sustainability indices or policy advantages for companies that actively implement stakeholder-driven initiatives. Such measures would encourage businesses to move beyond surface-level engagement and integrate stakeholder concerns into strategic decision-making.

For this to occur, companies must establish mechanisms that ensure stakeholder input is both valued and actionable. Introducing independent third-party reviews, multi-stakeholder panels, or public reporting on stakeholder consultation outcomes could enhance transparency and accountability in sustainability disclosures. Such mechanisms would help bridge the gap between normative expectations and actual corporate responses, reinforcing stakeholder trust and improving the overall impact of sustainability reporting.

#### *5.4 Institutional pressures and the coexistence of symbolic and substantive reporting*

The interplay between coercive, mimetic and normative pressures highlights the complexity of achieving substantive environmental performance in Indonesia's energy sector. Rather than operating in isolation, these pressures interact – sometimes reinforcing one another, other times contradicting – leading to the coexistence of both symbolic compliance and substantive reporting.

Coercive pressures, primarily driven by POJK No. 51/2017, have established a regulatory baseline for sustainability disclosures. However, weak enforcement and the absence of performance-based incentives mean that companies often treat compliance as a procedural exercise rather than a catalyst for real environmental action. To ensure legitimacy, many companies benchmark their reporting against industry peers, reinforcing mimetic behaviours. Companies with limited internal sustainability expertise frequently look to larger firms for guidance, leading to widespread adoption of standardised frameworks like the GRI – even when these frameworks do not fully align with local environmental priorities. While mimetic pressures enhance credibility, they also contribute to homogenised reporting that overlooks region-specific sustainability concerns. At the same time, normative pressures, particularly

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stakeholder expectations, push companies to demonstrate responsiveness to sustainability issues. However, this engagement often remains performative, prioritising investor demands and regulatory compliance over meaningful environmental action. The convergence of these three pressures creates an institutional environment where symbolic compliance dominates, with substantive sustainability efforts emerging only when firms face sustained external scrutiny or financial incentives that reward genuine environmental action.

The tension between these pressures becomes evident when companies seek to balance investor expectations with regulatory and normative demands. For example, firms aiming to satisfy investors may emphasise emissions reductions aligned with global frameworks while overlooking urgent local environmental issues such as mangrove conservation or peatland degradation. In this way, normative pressures do not necessarily counteract symbolic compliance; instead, they can reinforce it by encouraging companies to focus on disclosure quality rather than substantive impact.

The interaction of these pressures does not always lead to uniform outcomes. Some firms, particularly those with strong internal sustainability commitments, strategically use regulatory and mimetic influences to transition towards more substantive disclosures over time. However, in most cases, symbolic compliance remains the dominant strategy, as companies prioritise regulatory box-ticking over actual environmental impact. The challenge, therefore, lies in developing regulatory mechanisms that not only mandate reporting but also incentivise substantive performance, ensuring that mimetic and normative influences push firms towards more meaningful sustainability integration rather than superficial compliance.

This dynamic illustrates how symbolic compliance and substantive environmental performance can coexist rather than being mutually exclusive. Some companies initially engage in symbolic practices to meet external pressures but later incorporate substantive elements as sustainability practices mature. Others remain trapped in a cycle where reporting serves as a legitimacy tool without leading to deeper environmental accountability.

These findings align with institutional theory, which suggests that isomorphic pressures can sometimes work against their intended goals (DiMaggio and Powell, 1983; Boxenbaum and Jonsson, 2017). Prior research on emerging markets has shown that regulatory mandates often create an initial compliance push, but without strong enforcement or contextual adaptation, companies default to mimetic strategies that reinforce symbolic adherence rather than drive real change (Daddi *et al.*, 2020; Yang and Kang, 2020). However, this study extends the literature by demonstrating that stakeholder pressures – rather than acting as a corrective force – can unintentionally reinforce symbolic compliance when firms prioritise legitimacy over substantive environmental action.

To bridge the gap between symbolic and substantive reporting, companies must move beyond passive benchmarking of global standards and integrate locally relevant environmental priorities. Meanwhile, regulatory frameworks should shift from a disclosure-based approach to a performance-based model, ensuring that sustainability practices translate into measurable environmental improvements. Without these shifts, the interplay of institutional pressures will continue to shape a landscape where symbolic compliance and substantive reporting coexist, with companies navigating external demands in a way that balances legitimacy-seeking behaviours with incremental improvements in sustainability performance.

## 6. Practical implications

The findings of this study offer several important practical implications for regulators, policymakers and corporate leaders in Indonesia's energy sector. Regulatory bodies,

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particularly the Financial Services Authority (*Otoritas Jasa Keuangan*), should enhance enforcement beyond basic compliance checks by implementing mandatory third-party verification of environmental disclosures. Such verification would ensure alignment between reported sustainability information and actual environmental performance, addressing concerns around symbolic compliance.

Regulators should also introduce targeted incentives designed explicitly to encourage substantive environmental practices. These could include tax incentives, preferential financing terms or prioritised access to government contracts for companies that demonstrate tangible environmental improvements verified through independent assessments. Additionally, clear penalty systems could be introduced to discourage superficial compliance, creating a balanced regulatory approach that rewards genuine sustainability efforts and deters mere symbolic actions.

Companies in the energy sector must recognise the importance of contextually adapting global sustainability frameworks, such as the GRI, to reflect Indonesia's unique environmental challenges. Rather than merely replicating global standards to achieve legitimacy, firms should integrate locally significant issues – such as deforestation, mangrove conservation and industrial waste management – into their sustainability strategies. Doing so would enhance both the relevance and credibility of their environmental disclosures.

Stakeholder engagement should move beyond performative practices, prioritising genuine dialogue and integration of stakeholder input. Companies should establish formal mechanisms to document and transparently report how stakeholder feedback is considered and implemented within corporate decision-making processes. Regulatory bodies could support this by establishing structured guidelines that mandate detailed disclosure of stakeholder engagement outcomes, specifying clear indicators or metrics demonstrating responsiveness to community concerns and local environmental priorities.

By implementing these specific recommendations, regulators and companies alike can foster a more substantive and accountable approach to sustainability reporting, ultimately enhancing corporate environmental responsibility and aligning Indonesia's energy sector more closely with global sustainability best practices.

## 7. Conclusion

This study explored how institutional pressures – coercive, mimetic and normative – shape environmental disclosures in Indonesia's energy sector, with a focus on the coexistence of symbolic compliance and substantive environmental performance. By using institutional theory as a framework and conducting a thematic analysis of interviews with 22 sustainability reporting managers, the research provides critical insights into the dynamics of sustainability reporting in an emerging market context.

The findings highlight that coercive pressures, particularly through regulations like POJK No. 51/2017, have institutionalised sustainability reporting practices. However, these regulations primarily drive symbolic compliance rather than substantive integration of sustainability into corporate strategies. While mandatory reporting requirements establish a baseline, their effectiveness in fostering meaningful environmental accountability remains limited without stronger enforcement and well-designed incentives that encourage substantive engagement beyond minimum regulatory expectations. To move beyond symbolic practices, regulatory bodies such as the OJK should strengthen enforcement through mandatory third-party verification and introduce targeted incentives – like tax breaks or preferential financing – for companies demonstrating verified substantive sustainability performance. Such measures could significantly enhance the credibility and substantive impact of environmental disclosures in Indonesia.

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Mimetic pressures drive companies to align with global standards such as the GRI, enhancing the credibility of their disclosures. However, these practices often lack contextual adaptation, leading to a homogenised reporting approach that may not fully address Indonesia's unique environmental challenges. Companies should be encouraged to integrate local environmental priorities – such as air and water pollution, deforestation and waste management – into their disclosures rather than simply adhering to standardised global frameworks. Addressing this misalignment between global guidelines and local realities would improve the substantive impact of sustainability reporting.

Normative pressures, particularly stakeholder engagement, present both challenges and opportunities. While companies recognise the importance of engaging stakeholders, these efforts are often performative, prioritising investor expectations over broader societal concerns. Introducing structured incentives for firms that actively incorporate stakeholder feedback – such as policy advantages, recognition in corporate sustainability indices or preferential treatment in sustainability-linked financing – could strengthen the role of stakeholder engagement as a driver of substantive corporate accountability. Additionally, transparency mechanisms such as independent third-party reviews or multi-stakeholder consultations could help ensure that stakeholder input is integrated meaningfully into disclosures rather than serving as a mere legitimacy-seeking exercise.

The interplay of these institutional pressures highlights the dual nature of environmental disclosures in Indonesia's energy sector. While regulatory mandates and global standards institutionalise reporting practices, their implications extend beyond this sector, offering insights into how institutional dynamics shape sustainability reporting in other high-impact industries. This study further demonstrates that symbolic compliance and substantive environmental performance often coexist as companies navigate external pressures while balancing legitimacy-seeking behaviour with incremental sustainability improvements.

One limitation of this study is its cross-sectional design, which captures institutional pressures and disclosure practices at a single point in time. Future research should consider a longitudinal approach to examine how these dynamics evolve over time. Conducting repeated interviews with sustainability reporting managers every 2–3 years over a decade could provide deeper insights into shifts in corporate responses to institutional pressures. However, interviews alone may not be sufficient for a comprehensive longitudinal perspective. Future studies could complement interviews with archival analysis of sustainability reports over multiple regulatory periods to assess whether disclosures transition from symbolic compliance to substantive environmental action. Additionally, integrating other data sources, such as stakeholder feedback, regulatory enforcement records or corporate sustainability performance data, could provide a broader understanding of long-term disclosure dynamics.

This study contributes to institutional theory by illustrating how coercive, mimetic and normative pressures interact in shaping corporate behaviour in an emerging market context. It extends the theoretical discourse by emphasising that symbolic compliance and substantive environmental performance are not mutually exclusive but exist along a continuum. From a policy perspective, strengthening regulatory enforcement, developing structured incentives for substantive disclosures and encouraging corporate alignment with both global expectations and local environmental realities are crucial steps towards improving the credibility and impact of sustainability reporting in Indonesia.

Future research could further explore how companies navigate these institutional pressures over time, incorporating perspectives from other stakeholders such as regulators, investors and local communities. Additionally, cross-sectoral or international comparative studies could provide deeper insights into the varying impacts of institutional pressures on

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sustainability reporting. By addressing these areas, future studies can enhance our understanding of how institutional dynamics influence corporate environmental accountability and sustainability practices.

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### About the authors

I Gusti Ayu Made Asri Dwija Putri is a chartered accountant and an associate professor in the Department of Accounting at Udayana University, Bali, Indonesia. She obtained her PhD in accounting at Brawijaya University in Malang, Indonesia. I Gusti Ayu Made Asri Dwija Putri can be contacted at: [igustiyumadeasri@unud.ac.id](mailto:igustiyumadeasri@unud.ac.id)

Kartika Sari is a lecturer in mathematics in the Faculty of Mathematics and Natural Science at Udayana University, Bali, Indonesia. She obtained her master's degree in mathematics at Gadjah Mada University in Yogyakarta, Indonesia.

Henny Triyana Hasibuan is a chartered accountant and an assistant professor in accounting in the Department of Accounting at Udayana University, Bali, Indonesia. She obtained her PhD in accounting at State University of Malang in Malang, Indonesia.

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Putu Agus Ardiana is a chartered accountant and an assistant professor in the Department of Accounting at Udayana University, Bali, Indonesia. He completed his PhD in accounting at Durham University Business School, United Kingdom with an unconditional pass (no revision at all) under the supervision of Professor Richard Slack and Professor Carol Adams.

Kadek Dwi Linda Yanthi is a graduate research assistant in the Department of Accounting at Udayana University, Bali, Indonesia. She obtained her master's degree in accounting at Udayana University.

Ni Wayan Asri Pradnyani is currently a master's degree student in accounting at Udayana University, Bali, Indonesia.

Ni Wayan Kiki Jayanti Pratiwi Sujana is currently a master's degree student in accounting at Udayana University, Bali, Indonesia.