Fiji Sugar Corporation: A Legitimacy Theory Perspective

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ABSTRACT

The purpose of the study is to identify the strategies that Fiji Sugar Corporation Limited (FSC) has applied to receive Fiji Government’s ongoing financial support despite making continuous substantial losses over the years. Using a theoretical framework informed by legitimacy theory, the authors predict the strategies used by FSC. The study applied qualitative document analysis method and examined archival data such as scholarly articles, newspaper articles, and annual reports’ data for the periods covering from 2014 to 2018. The means of triangulation was challenging as interviews with the relevant participants were not possible due to Covid-19 pandemic and lockdowns. The findings of the study highlight that FSC has strategically utilized its existence and continuation to emphasize the economic and social dislocation its closure will create to the people of Fiji who depend on the sugar industry for their livelihood. This strategy has enabled FSC to receive Government’s continued support together with the unachievable promises that FSC is making all these years which is to improve its financial performances. The findings also suggest that FSC has smartly accepted its operational failures but has manipulated the cause of the failures beyond its control. The study contributes to the academic discussion on the strategies that an organization can adopt to maintain its legitimacy and continuation.

Keywords: Legitimacy Theory; strategy; analysis; ongoing support; performance

INTRODUCTION

Among the various objectives of an organization, survival is the key driver (Jaja et al, 2019). Gabriel and Arbolo (2015) comment that organization’s survivability is influenced by meeting the demands of the market, shareholders, employees, communities, government, and other relevant stakeholders. Furthermore, Adim and Ekpa (2020) state that the attainment of set goals and optimum resource utilization requires organizations to develop strategically effective action plans and procedures that are appropriate in the present business environment. Besides, Hafidz et al. (2020) state that stakeholders’ support is necessary for organizations’ survival and development, and such is accomplished provided the organizations meet their expectations. Moreover, legitimacy theory view posits that an organization’s adherence to the social expectations and norms of the surrounding societies enables the continuity of the organization rather than only focussing on meeting the shareholders’ value (Meyer and Rowan, 1977; An et al, 2011). In this respect, the current study attempt to explain ways in which Fiji Sugar Corporation Limited (FSC) continues to receive the Fijian Government’s ongoing financial support even though making substantial losses for many years.

In 1972 FSC was incorporated by an Act of the Parliament to take over the assets, liabilities, and milling activities of the Australian capitalist, Colonial Sugar Refinery Company (CSR) (White, 2003), and its operations since then are governed by the Fijian Companies Act. FSC is responsible for the manufacture and sale of raw sugar together with molasses as a by-product (Sahib, 2016). It also owned and maintained a railway network that transported sugarcane to the mills (FSC, 2018). The significance of FSC to the Fijian economy can be better captured if the wider structures they are embedded in are clearly understood (see Narsey, 1979; Lloyd, 1982; Ward, 1995; White, 2003; Alam et al, 2005; Narayan & Prasad, 2005).

The sugar industry dominated the Fijian economy since 1882 but from time to time the British colonial rulers found it quite hard to motivate the indigenous Fijians to get actively involved in sugarcane farming (Lloyd, 1982; Ward, 1995) and which resulted, Great Britain to bring in Indian labourers from India to work for the CSR based in Fiji (Narsey, 1979). This was mainly due to the Indigenous community's cultural complexities based on communal principles and practices. By being committed to communal obligations, there was generally little desire on their willingness for economic entrepreneurship in large-scale agriculture or commerce (Alam et al, 2005). In order to protect the natives from exploitation, the policies of the colonial rulers were designed to ensure that there was no alienation of native land. As a result, majority of the land (almost 95%) in Fiji to date remains as traditional, customary, or native in communal ownership (Ward, 1995). Indenture system was abolished in 1916 and there on the land were provided on lease terms to the (Indian) farmers who remained in Fiji (Narsey, 1979; Alam et al, 2005).

The communal land structure, coupled with political uncertainties arising from the first military coup in 1987 saw a considerable decline in the sugar industry since the mid-1990s. White (2003) emphasized that the uncertainties of the renewal of land leases had discouraged the sugarcane farmers to increase their farm productivity and as a result, the economic development of FSC has decreased considerably. The author states that immediate closure of FSC cannot be
considered as an option as such will create substantial economic and social dislocation. It will significantly impact the Country’s foreign exchange earnings and employment opportunities. Moreover, the author highlighted that to save FSC and the sugar industry from permanent closure, every successive Government’s acted to boost sugarcane productivity. This also resulted in the extensive restructuring of FSC’s operations. However, the internal restructuring program reveals FSC’s nonappearance of material improvement in operations. The author further elaborated that FSC failed to take any initiative to enhance the sugarcane farmers’ support towards the sugar industry. Moreover, the author commented that as a result of poor performance and the end of EU preferential prices for Fiji sugar will discourage both the existing and potential investors to invest in the company.

Narayan and Prasad (2005) further state that the non-renewal of leases and the withdrawal of Fiji sugar from preferential prices by the European Union (EU) has hit FSC hard and the authors assert that economic stimulus is needed for FSC’s economic development and that a proactive strategic direction is needed to improve productivity. Moreover, there is no doubt that some of the decisions made by FSC had affected its overall performances for the financial periods. For instance, FSC recorded the lowest sugarcane production in 2001 while comparing it with the previous 5 years. One reason for the low production of sugarcane in 2001 was because approximately 340,000 tonnes of sugarcane were not harvested due to the closure of all the mills for the crushing session (FSC, 2001).

Also, Reddy (2003) states that the return from sugarcane that farmers are receiving in comparison to the cost incurred and work required is not adequately compensated by FSC contributing further to the unsatisfactory operating performance of the company. For instance, Reddy (2003) mentioned that the increase in sugarcane farming cost, serious shortages of sugarcane cutters, a significant increase in land rentals, land renewal issues, and low support to farmers by FSC with not much profit in sugarcane farming were some of the major challenges confronted by farmers in the sugarcane farming industry. The author adds that FSC showed low productivity and capacity mostly contributed by increased production, maintenance and fixed cost, recruitment of unskilled personnel, poor investments, and business decisions. Moreover, the author concludes that FSC’s struggle was predicted without the EU preferential prices, and as an alternative, a replacement aid was much needed for FSC’s continuation.

On the other hand, Carswell (2003) emphasized the family labor system’s contribution towards the development of FSC. However, the author highlighted in the present time, lack of interest of family members working in sugarcane farming, mostly due to the gradual decline in the return of investment in the sugar industry has directly affected the productivity status of FSC. Moreover, the author mentioned that the rising production cost in the industry and the decrease in payment amount received from FSC on their harvest have further squeezed their profit margin and thus affected FSC’s production and long-term sustainability.

Mahadevan and Asafu-Adjaye’s (2010) study depicted economic complexities faced by FSC as a result of the withdrawal of the EU’s preferential price for Fiji’s sugar. The authors reveal that without further financial assistance as compensation for the loss FSC faced due to the end of sugar preferential price agreement in the EU market will badly affect production, sales revenue, sustainability, and employment opportunities.

However, FSC was able to survive over these years even though making huge losses due to the Fijian Government’s financial support. In this context, this study attempt to find what strategies has FSC applied to obtain the ongoing financial support of the Government? The study is motivated to answer the aforementioned question in light of the recent years’ losses recorded by FSC. The study expects to contribute to the literature by providing further insights on how an organization can survive even though incurring huge losses over the years. In the next section, this paper considers the related literature and the choice of the theoretical framework for the study. The research methods are then discussed, followed by the results and discussion of the study and the paper ends with concluding remarks and limitations of the study.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Organizations’ survivability is challenged, by the complex, dynamic and competitive nature of the business environment together with the expectations of the societies (Guthrie et al, 2006; Wobodo et al, 2017; Jaja et al, 2019). Koontz and Weirrich (1999) averred that organizations and their environment are mutually interdependent. Due to the social forces arising from interdependence, organizations have to “adopt different survival strategies to undermine the threatening influence of the forces” (Jaja et al, 2017, p. 86). This implies from the perspective of legitimacy theory is that an organization has to ensure that its operations are in alignment with the social values of the interacting societies which will result in social acceptance of the organization’s existence and continuation (Dowling & Pfeffer, 1975).

One way to manage organizational legitimacy is by informing and disclosing its social and environmental initiatives to prove to the stakeholders and public that the organization remains consistent with the social norms, beliefs, and expectations of the societies (Kuruppu & Milne, 2016 as cited in Hafidz et al, 2020). Moreover, satisfactory responses by the internal and external stakeholders are crucial for an organization’s long-term operations (Elshback & Sutton, 1992 as cited in Hafidz et al, 2020).

The literature suggests that legitimacy is a process (see Dowling & Pfeffer, 1975; Deegan, 2002; Guthrie et al, 2006; Suddaby et al, 2017) and the management of such requires strategies designed to achieve the expectations of the
stakeholders. On this, Gray et al. (1995) state that, “when an organization perceives that its legitimacy is in question, it can adopt several strategies to maintain legitimacy” (as cited in Guthrie et al, 2006, p.8). These strategies include:

1. The organization may seek to educate and inform its ‘relevant publics’ about (actual) changes in the organization’s performance and activities;
2. The organization may seek to change the perceptions of the relevant public but not change its actual behavior;
3. The organization may seek to manipulate perception by deflecting attention from the issue of concern to other related issues through an appeal to, for example, emotive symbols; and
4. The organization may seek to change the external expectation of its performance.

(Gray et al. 1995 as cited in Guthrie et al, 2006: 8)

Moreover, Gray et al. (1995) further suggest the circumstances for the above strategies to be used by the organizations. These circumstances are:

1. The first strategy is chosen in response to a recognition that the ‘legitimacy gap’ arose from an actual failure of the performance of the organization;
2. The second strategy is chosen as a response when the organization sees that the legitimacy gap has arisen through misperceptions on the part of the relevant public;
3. The third strategy is chosen on the grounds of manipulation; and
4. The fourth strategy is chosen when the organization considers that the relevant public has unrealistic or ‘incorrect’ expectations of its responsibilities.

(Gray et al. 1995 as cited in Guthrie et al, 2006: 8)

Moreover, Adim and Ekpa (2020) assert that when an organization has not performed as expected by the relevant stakeholders and public, then following a quick response by the organizations will reduce the negative effect that such will bring to the organization’s reputation and legitimacy. It is indeed legitimacy that determines an organization’s acceptance or rejection in society and contributes to the long-term success or failure of the organization (Diez-Martin et al, 2010). Therefore, the void in the literature which the current research attempts to fill is to fathom ways in which an organization responds to the relevant stakeholders including the Government to legitimize its continuation and able to maintain the ongoing supports even though operating into losses for many years.

Dowling and Pfeffer (1975, p. 122) defined legitimacy theory, which is derived from the concept of organizational legitimacy as:

... a condition or statues which exist when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy.

Therefore, the legitimacy theory view posits that organizations will continually seek to ensure that their operations are in alignment with the boundaries and norms of the respective societies (Guthrie et al, 2006). Consequently, such adaptation of the legitimacy theory perspective will encourage an organization to voluntarily report on activities other than financial performances if expected by the societies in which it operates (Deegan, 2002). Moreover, the social acceptance of an organization is an on-going process and the organization’s comfortable stay within the society is dependent on its social performances (Hafidz et al, 2020). Furthermore, Deegan (2002) adds that the motivation behind voluntary disclosures is for the organization to legitimize its operations. O’Donovan (2002) suggests that “where a disparity exists between the expectation of the corporation and those of its relevant publics, the corporation will need to evaluate its social values and align them with those held by the society in which it operates” (as cited in Omran & El-Galfy, 2014, p.267).

Thus, the theoretical framework of this study is shaped by the legitimacy theory to understand how FSC attained the Government’s ongoing support, yet operating into losses. In the modern era, social legitimacy is significant for an organization’s survival (Meyer & Rowan, 1977). Organizations have to equally focus on the social expectations and values of the surrounding societies for ease of continued operations rather than focusing only on what investors value (An et al, 2011). The startling aspect of FSC, as per the cited literature is that FSC is not performing on what shareholders and other stakeholders value, both, socially and on financial grounds. Conversely, FSC is still able to legitimize its existence and continuation and able to convince the Government for ongoing financial assistance. Therefore, legitimacy theory is apposite to explain the research problem under study which is to ascertain the strategies that FSC has applied to receive the Government’s ongoing support to survive despite operating under huge losses. However, one has to be cautious of the legitimacy theory as Chen and Roberts (2010, p. 652) state that “though the theory focuses that an organization will ensure that its objective is in alignment with the value system of the society, it does not specify how the congruency could be reached or how the actions should be formulated”. Moreover, Deegan (2014) adds that measuring legitimacy is a subjective exercise rather than scientifically proven.
RESEARCH METHODS

This research employs a qualitative approach to identify the strategies that FSC applied to receive the Government’s ongoing financial support even though operating into losses. The paper applied a qualitative document analysis method where documents were interpreted by the researchers (Bowen, 2009, O’Leary, 2014). The means of triangulation was challenging as interviews with the relevant participants were not possible due to Covid-19 pandemic and lockdowns. However, the relevant documents were thoroughly examined and interpreted to elicit meaning, gain an understanding, and developed empirical knowledge for the study to validate the conclusion drawn (see Bowen, 2009, O’Leary, 2014).

The method deployed enabled insight into the strategies applied by FSC for the Government’s ongoing support and is in alignment with the theoretical framework. The data sources for this research were secondary. The researchers examined archival data such as scholarly articles and newspaper articles related to FSC and Annual Reports’ data covering the financial period of 2014 to 2018.

The justifications for using the archival data such as the scholarly articles used were the work of renowned and respected academics in Fiji, thus it enhances the credibility of their findings which were relevant to the current study. Moreover, the newspaper articles cited depicts the views of the current Government on the continued support that they have vested on FSC and that the Annual Reports of FSC were thoroughly examined by the independent auditors which point out that the information from the Annual Report is highly reliable for the analysis and conclusion of the study. The mentioned documents were cautiously analyzed to extract data deemed relevant for the current study. For instance, a thorough examination of the recent available Financial Reports and using ratio analysis techniques provided sufficient information to comment on the financial strength of FSC, the borrowing trends, FSC’s efficiency and productivity, the independent auditors’ view on FSC, and to some extent the strategies which FSC had applied to get the ongoing Government’s support.

Moreover, the scholarly articles were critically examined to search for the similar and different views that the scholars have on FSC that were relevant in explaining the research problem under study. Similarly, the newspaper articles were examined to gather the Government's views on FSC and the role that FSC plays to the various stakeholders in Fiji. Thus, the three mentioned documents provided the much-needed data on how FSC has legitimizes its existence and continued support from the Government even though operating into losses. Then, specific themes were categorized into sub-headings in the formal write-up. The examination of the archival data enabled the researchers to understand the strategies that FSC has applied for the Government’s ongoing financial support.

RESULTS AND DISCUSSION

Prior studies point out a major downfall of FSC’s operating and financial performance was the non-renewal of land leases (White, 2003; Narayan & Prasad, 2005). Recently the Government has addressed this issue through the land utilization program. This included adding an extra 4% to the landowners for the renewal of these leases (Chambers, 2017). However, it may now be challenging for FSC to achieve 4 million tonnes of sugarcane targets as was in the year 1999 (FSC, 1999), compared with the figures that have been depicted in the 2018 period of 1.63 million tonnes of sugarcane crushed (FSC, 2018). Furthermore, prior studies also impressed upon the higher costs and lack of financial assistance to the farmers (Reddy, 2003; Carswell, 2003). On this, the findings indicate recent attractive assistance provided to farmers to restore the sustainability of the sugar industry.

However, as shown in Table 1, the profitability ratios reflected the failure of FSC to generate stable profits. For instance, the computation of profit margin ratio from 2015 to 2018 financial period reflected FSC’s inability to generate any profits from each dollar of sales. The same consensus is depicted on the computation of return on total assets and ordinary equity ratio. This makes sense as the reason FSC has to end up borrowings.

<table>
<thead>
<tr>
<th>TABLE 1. Profitability ratios</th>
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<tr>
<td>Financial Period</td>
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<tr>
<td>Ratios</td>
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<tr>
<td>Profit margin</td>
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<tr>
<td>Rate of return on total assets</td>
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<td>Rate of return on ordinary equity</td>
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As shown in Table 2, the cash-flow efficiency ratios depicted more outflow of cash than the inflow of cash, suggesting the inefficiency of FSC in converting revenues into cash from operations. For instance, the computation of cash flow to revenue ratio for the year 2018 indicates that revenues that were eventually realized as cash flow from operating activities were negative 3.4%. A similar result was verified by the operations index ratio which demonstrates FSC’s profit with its cash flow from operating activities with the figures in negative for the financial period 2015 to 2018 due to continuous loss
made by the company. These ratios analysis complement the views of Narayan and Prasad (2005) that the implemented economic stimulus is not effective enough to improve the deteriorating health of FSC and therefore a re-evaluation of the economic direction taken by FSC in recent years is indispensable for its survivability.

Table 2: Cash Flow efficiency ratios

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<tr>
<th>Financial Period</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>Cash flow to revenue ratio</td>
<td>14.0%</td>
<td>-12.5%</td>
<td>-5.9%</td>
<td>6.1%</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Operations index ratio</td>
<td>452.4%</td>
<td>-77.4%</td>
<td>-22.0%</td>
<td>-19.6%</td>
<td>-25.0%</td>
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</table>

It is observed that FSC is heavily borrowing in order to meet operational costs and capital expenditure requirements with zero equity investment under the empirical periods. Table 3 indicated the financial stability ratios like debt, equity, and asset turnover indicate that that the total invested asset of FSC is financed by debts and that even the short-term debts commitment were financed by the long-term debt arrangements.

Table 3: Financial stability ratios

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<tr>
<th>Financial Period</th>
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<th>2015</th>
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<tbody>
<tr>
<td>Debt ratio</td>
<td>130.7%</td>
<td>144.1%</td>
<td>167.7%</td>
<td>208.8%</td>
<td>218.5%</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>-30.7%</td>
<td>-44.1%</td>
<td>-67.7%</td>
<td>-108.8%</td>
<td>-118.5%</td>
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Moreover, the computation of liquidity ratios like current and quick ratios in Table 4 showed FSC’s inability to meet short-term obligations. For instance, FSC had 37.7 cents of current assets and 26.4 cents of liquid assets for every dollar of current liabilities in the 2018 financial period. FSC’s total liabilities were standing at more than two times the total assets at the end of the 2018 financial year. However financial institutions were approving FSC’s loan applications due to Government guarantees.

Table 4: Liquidity ratios

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<tr>
<th>Financial Period</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Current ratio</td>
<td>16.6%</td>
<td>23.2%</td>
<td>64.0%</td>
<td>26.5%</td>
<td>37.7%</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>10.8%</td>
<td>10.3%</td>
<td>50.4%</td>
<td>14.1%</td>
<td>26.4%</td>
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According to FSC’s 2016 Annual Report, “the Government has increased the existing Government guarantee of $120 million to $322 million with the guarantee period extended from 31st May 2020 to 31st May 2022” (FSC, 2016, p.17). Moreover, during the financial year 2018, FSC “borrowed US$9 million to meet operational expenditures and grower cane payments and secured funding of $30 million for the purchase of agricultural equipment for sugarcane development and another $50 million to meet its working capital and capital expenditure requirements” (FSC, 2018, p.21-22).

It is appalling to note that without long-term loan support, FSC has no way to pay the short-term debt commitments. Over these empirical periods, excessive borrowings failed to reflect acceptable cash inflows from operations. Generally, it is expected that more money for investment will improve cash flows from operations. However, in the case of FSC, the 2018 Financial Report revealed a negative $6.153 million from cash inflows from operations. Therefore such a general assumption of more investment funds will improve cash inflows are not reflected in the case of FSC under the empirical periods. There are some initiatives taken by FSC to attract new markets to sell its product than heavily relying on the EU market. However, sales are not sufficient to cover the high operational costs which result in more borrowings. Concerning borrowing trend, Mahadevan and Asafu-Adjaye (2010) predicted that the withdrawal of Fiji sugar from preferential prices by the EU will have a shattering effect on FSC and the findings support such prediction considering the colossal borrowing level and the inability of FSC to meet its working capital commitments.

FSC’s net equity deficit is standing at $241.77 million as of 31st May 2018 is of great concern as it has increased approximately by 3 times as compared to the financial period ending 31st May 2014 (see Table 5 - Appendix). The negative equity indicates that FSC is fully financed by debts and the inability of FSC to manage its operating cost and investment in capital projects. Further, the financial analysis and literature indicate that the internal restructuring by FSC has not shown any material improvements. However, it is surprising to note that the financial institutions are continuously approving FSC’s loan applications due to Government’s guarantee. The findings further reveal that FSC’s share capital has not changed since the year 2000 and stands at $22.2 million.
The Independent Auditor’s Report was unqualified for the empirical periods. Such an opinion is only issued, provided the Auditor has reasonable assurance that the financial statements have shown a true and fair view on the financial performance and position of FSC. It further assures that the items of the financial statements are not materially misstated either by fraud or error. However, it is alarming to note that the auditor’s report on every financial year under the current study included an “emphasis of matter paragraph”. The paragraph revealed that the going concern basis of FSC is sustainable as long as the Government continues to act as the underwriter for FSC’s operations. This paragraph of the auditor’s report confirms that FSC’s operations are in serious jeopardy. On this, White (2003) found a similar trend of clear reports from auditors and asserts that FSC’s existence is very much at the Government’s pleasure. Therefore, FSC has to come up quickly with better options for survivability than depending on the Government solely as the case seems to be from the independent auditor’s report.

FSC’s 2014 Financial Report stated that the “going concern assumption is also dependent on improved quantity and quality of cane supply together with mill efficiency and performances” (FSC, 2014, p. 20). It is interesting to note that the 2018 Financial Report disclosed various maintenance and upgrade programs executed by FSC to boost efficiency in all the mills’ operations (FSC, 2018). For instance, during the 2018 financial period, FSC “invested $30 million on capital and maintenance works for all its three mills” (FSC, 2018, p.9). However, there was no significant improvement in cane production or quality, as well as mill efficiency while comparing the performance of the 2014 financial period with the 2018 financial period. FSC continued to make losses for the discussed periods including the 2014 financial period before the reversal of impairment loss.

Moreover, the sugar production comparison analysis for the 2018 financial period with 2017 reflects an increase in the production of sugar by 40,857 tonnes standing at 180,388 tonnes. On the contrary, sugar production in the 2016 period was 221,933 tonnes. Therefore, if the 2018 performance is measured with 2016 performance then such indicates the decrease in sugar production by 41,545 tonnes. As such the comparison analysis between 2016 to 2018 financial periods has not demonstrated good performance by FSC in sugar production while comparing with 2016 as the base period. A similar result is seen in cane productivity and quality. Hence, the analysis of the five-year empirical period has not shown a material improvement in the productivity of sugar, sugarcane, and cane quality. The analysis suggests that FSC is informing the relevant stakeholders about actual changes in the organization’s performance and activities. However, FSC is lacking in informing the stakeholders on the comparative analysis of many years of performance. Moreover, the findings point out that the unsatisfactory productivity level is due to the failure of FSC to act quickly on the challenges highlighted in prior studies. For instance, failure to encourage farmers to large-scale sugarcane farming (Reddy, 2003) or to immediately proceed to alternative markets after the withdrawal of Fiji sugar from preferential prices by the EU (Narayan & Prasad, 2005; Mahadevan & Asafu-Adjaye, 2010).

STRATEGIES APPLIED: IMPLICATIONS OF LEGITIMACY THEORY

FSC speaks strongly on its support to the farmers on transportation and harvesting costs. For instance, FSC provides free railway transportation of sugarcane to the mills. However, railway transportation is not available to many farmers. Furthermore, FSC is sentient of the obscurities that farmers face in finding sugarcane cutters. On this issue, FSC has arranged for prisoners to cut sugarcane and has purchased some harvester machines which farmers can use during harvesting. However, the demand is more and the supply is less. Probably, the purchase of the harvester machine initiative was late to restore the sugarcane and sugar production target. It was further noted that FSC procured new locos to ease the delivery of sugarcane via railway which was a great relief for farmers who were dependent on railway transportation. Moreover, in collaboration with the Government and other stakeholders, FSC for the past some years has provided financial assistance to farmers in the plantation of sugarcane.

To add further, the Attorney General (AG) of Fiji stated that approximately 200,000 people are dependent on the sugar industry directly or indirectly (Chambers, 2017), which is slightly more than one-fifth of Fiji’s population. This point reveals the significance of the sugar industry to the people of Fiji and the consequences it will bring by an immediate closure of FSC. Every successive government has done its best to restore the sugar industry by implementing various reforms. However, the financial analysis is not showing any material improvement in the performance of FSC and reconfirm White (2003) relating to the nonappearance aspect of material improvement in the operations of FSC.

The discussion under the theoretical framework section informs that when an organization realizes that its existence and operations are in question, it can then adopt several strategies to maintain its legitimacy and continuation (Gray et al, 1995 as cited in Guthrie et al, 2006, p.8). The application of this on FSC depicts that the strategy which FSC has applied is “manipulating the perception of the various stakeholders including the Government” by deflecting attention

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<tr>
<td>Equity Deficit (%)</td>
<td>100.0%</td>
<td>137.1%</td>
<td>201.0%</td>
<td>253.5%</td>
<td>282.3%</td>
</tr>
<tr>
<td>Equity Deficit ($ millions)</td>
<td>$85.65</td>
<td>$117.39</td>
<td>$172.14</td>
<td>$217.14</td>
<td>$241.77</td>
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Table 5: Equity deficit from 2014 to 2018
from the issue of concern to other related issues through an appeal to, for example, emotive symbols” (Gray et al, 1995 as cited in Guthrie et al, 2006, p.8). This means that rather than FSC speaking about its inefficient performance and financial difficulties, it places the attention of the various stakeholders including the Government to other related issues that have equally contributed to the uneconomical performance of FSC.

The tactic simply employed by FSC is to hold responsible the external factors for its inefficient performance and financial difficulties rather than the internal factors that could have been controlled easily by FSC. Moreover, FSC could have also influenced the external factors with the assistance of the major stakeholders including the Government provided they had at the inception, evaluated the direct impact that these factors would have on the financial viability of the company. For instance, implying from prior studies, the external factors that FSC has blamed for the low production of sugar are the non-renewable sugarcane farming land (White, 2003; Narayan & Prasad, 2005). In addition, many farmers and their family members have a lack of interest in sugarcane farming due to the lack of support received from the major stakeholders, and the return is not worth the work required and the cost incurred in sugarcane farming (Reddy, 2003; Carswell, 2003). Moreover, the withdrawal of the preferential prices by the EU has affected FSC’s sales revenue and investment in capital expenditure projects and the impact of natural disasters has worsened FSC’s performance (White, 2003; Mahadevan & Asafu-Adjaye, 2010). Surely, many of the external factors could have resolved a long time ago.

According to Adim and Ekpa (2020), a quick fitting response from an organization in the event of mediocre performance will minimize the criticism from the numerous stakeholders and restore the disjointed legitimacy. For instance, FSC could have an effective disaster recovery program, finding an equally attractive market like the EU to maintain and boost the sales of its products, build a strong miller-farmer relationship by resolving the issues that the farmers were facing. However, FSC was late to act. The findings indicate that FSC has recently worked on these mentioned suggestions however, it should have executed the moment the issues aroused. Irrefutably, the damage has been done.

FSC is prudently admitting its malfunctions but has manipulated the cause of failures beyond its control. It is due to FSC’s witty strategies, the Government has to intervene and support FSC so that the people who depend on the sugar industry are not affected severely. The Government’s interest is seen from the social ground perspective (White, 2003) when around one-fifth of Fiji’s population is depending on the sugar industry which FSC has used strategically for financial support. There is some essence of social contract commitment (Dowling & Pfeffer, 1975; Deegan, 2002; Guthrie et al,2006) recently initiated by FSC to legitimize its continuation and therefore, the legitimacy theory has informed how FSC has applied the mentioned strategies to receive the ongoing Government’s financial support.

CONCLUSION

FSC has strategically used its existence and continuation to emphasize the economic and social dislocation its closure will create for the people of Fiji who depend on the sugar industry for their livelihood. This strategy has enabled FSC to get the continued support of the Government together with the unachievable promises that FSC is making all these years to improve its financial performances. FSC’s failure to perform economically is contributed by both internal and external factors. However, the FSC is using the means of external factors as the main cause for its poor performances which they could have avoided via the alternative course of actions. With these strategies, FSC had been successful for the Government support over the years yet operating under substantial losses and therefore, the current study has further contributed to the academic discussion on the strategies that an organization can adopt to maintain its legitimacy and continuation.

This paper has several limitations as it utilized the document analysis approach. Triangulation was not probable to enhance the validity of the data due to Covid-19 pandemic and lockdowns. It is highly recommended for further studies by employing research instruments such as interviews and survey techniques with relevant participants for a profound understanding of the strategies used by FSC for the Government’s continued financial support and to further validate the current study’s result and conclusion. Moreover, other organizational theories could be applied in FSC’s context as the theoretical framework to understand how FSC continued to receive the Government’s support yet operating with huge losses.

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