



Corporate Sustainability Disclosure Based on Legitimacy Theory and Institutional Co-Structure

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1. Introduction

Corporate sustainability disclosure addresses the informational needs of stakeholders, including employees, customers, suppliers, creditors, government, and society, each with distinct decision-making priorities. No mandatory, comprehensive regulations exist for corporate sustainability disclosure, and monitoring of this aspect of corporate governance is limited. Although auditors are required to report on environmental, social, and economic dimensions to shareholders, non-stock exchange accredited audit firms rarely include a separate sustainability paragraph. Prior research primarily examines financial and economic variables' effects on sustainability disclosure, focusing on profit sustainability, company performance, and sales growth (Zia et al., 2019). Studies on environmental and social issues predominantly use quantitative methods, with limited qualitative research exploring voluntary sustainability's impact on organizational legitimacy and societal expectations (Silva, 2021). Comprehensive indicators across environmental, social, and economic dimensions remain underexplored.

This study addresses these gaps by raising awareness among managers and decision-makers in both sectors about sustainability responsibilities through a structured, expert-driven approach and proposing practical solutions for developing supervisory guidelines in Iran. Using legitimacy and institutional co-structuring theories, it identifies stakeholder needs and key components of corporate sustainability (Scherer et al., 2023; Scapens, 2006). The research question is: What is the appropriate model for corporate sustainability disclosure based on legitimacy and institutional co-structuring theory?

2. Hypotheses

The research hypotheses are as follows:

H1: Cultural, environmental, and social factors significantly influence corporate sustainability disclosure.

H2: Managerial and corporate governance factors significantly influence corporate sustainability disclosure.

H3: Economic and regulatory factors significantly influence corporate sustainability disclosure.

3. Methods

This exploratory, mixed-method study employed an inductive approach. The qualitative phase used Grounded Theory, conducting 18 in-depth, semi-structured interviews with purposively sampled experts: nine academic professors (three full professors, five associate professors, one assistant professor) in accounting, management, economics, and social sciences, each with at least five publications in sustainability, and nine senior directors at the Environment Conservation Organization. Data collection, analysis, and model development occurred iteratively using open, axial, and selective coding. Open coding categorized interview concepts, axial coding connected categories around corporate sustainability, and selective coding validated relationships between components. The quantitative phase used structural equation modeling with PLS software to validate the model. Data were collected in 2023 from interviews and relevant databases.

4. Results

Findings identified micro- and macro-level economic factors, cultural, environmental, and social factors, managerial and corporate governance factors, and technical and structural factors as key drivers of corporate sustainability disclosure strategies. Economic recovery, a culture prioritizing sustainability, and environmental focus were key outcomes. Structural equation modeling showed that cultural, environmental, and social factors had the strongest impact (coefficient: 0.676, $p < 0.003$), followed by technical, structural, and managerial skills (0.658, $p < 0.001$), while economic factors had the weakest impact (0.358, $p < 0.012$). Awareness-raising, training, and financial resource allocation were critical for advancing disclosure strategies.

5. Conclusion

Corporate sustainability arises from companies' societal interactions, with disclosure driven by societal demands. Using legitimacy and institutional co-structuring theories, this study identified key indicators of corporate sustainability disclosure in Iran. Cultural, environmental, and social factors had the strongest impact, while economic factors had the weakest. The findings suggest: (1) Managers should adopt transparent sustainability systems, shift to decentralized structures, and prioritize team-based, specialized authority, supported by training to foster a sustainable development culture. (2) The Ministry of Science, Research, and Technology, particularly the Science and Technology Park, should support knowledge-based companies innovating in carbon emission reduction and resource recycling to advance sustainable performance. These strategies enhance organizational legitimacy and stakeholder value, addressing gaps in Iran's sustainability disclosure framework.

Keywords: Corporate sustainability, institutional co-structuring, sustainability disclosure, legitimacy theory, social accountability.