

Does Blue Accounting Enhance Firm Value Through Sustainable Performance and Social Legitimacy?

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Submitted: May 8, 2026

Accepted: Jun 1, 2026

Published: Oct 1, 2026

ABSTRACT

This study investigates the effect of Blue Accounting on Firm Value through the mediating roles of Sustainable Performance and Social Legitimacy in island-based fishing enterprises in the Aru Islands, Indonesia. Island-dependent marine enterprises in developing archipelagic economies operate under conditions of high ecological vulnerability and limited corporate transparency, creating a compelling context in which Blue Accounting may serve as a critical driver of firm value. A quantitative explanatory design was employed, analysing data from a census survey of 319 employees across nine fishing companies in Dobo, Aru Islands, conducted during the 2024 fiscal year. Analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM) reveals that Blue Accounting positively and significantly influences Firm Value ($\beta = 0.217$), Sustainable Performance ($\beta = 0.577$), and Social Legitimacy ($\beta = 0.659$). Both mediators significantly enhance Firm Value. Specifically, Sustainable Performance partially mediates the Blue Accounting-Firm Value relationship ($\beta = 0.144$), and Social Legitimacy serves as the dominant mediating pathway ($\beta = 0.274$), indicating that legitimacy-building through transparent ocean-oriented accounting constitutes the most impactful value-creation mechanism. Fishing companies are advised to institutionalise Blue Accounting systems as a strategic tool to strengthen sustainability performance, build social legitimacy, and thereby enhance firm value through distinct mediating pathways. Policymakers should mandate sustainability disclosure for marine enterprises in ecologically sensitive island regions. This study provides the first empirical evidence of Blue Accounting's effect on Firm Value through parallel mediation in Indonesian island fishery enterprises, extending Legitimacy Theory and the Natural Resource-Based View (NRBV) to the blue economy domain

Keywords: Blue Accounting; Blue Economy; Firm Value; Social Legitimacy; Sustainable Performance

INTRODUCTION

Global fisheries and aquaculture production reached approximately 230 million tonnes in 2024, with international trade in aquatic products valued at over USD 200 billion and approximately 62 million people employed in the primary production sector (FAO, 2024). Despite this extraordinary economic magnitude, firm value in marine enterprises, understood as the market's assessment of a company's present and future worth, is systematically undermined by accounting systems that remain oriented exclusively towards financial performance, thereby excluding the ecological costs, conservation expenditures, and social impacts that are inseparable from ocean-based production (Fenichel et al., 2023; Failler et al., 2023; Howarth & Farber, 2002). This structural omission constitutes not a peripheral concern but a fundamental governance failure with direct implications for firm value.

Marine-specific accounting remains critically underdeveloped, with corporate reporting on marine environmental and social impacts remaining fragmented and inconsistent across

jurisdictions, thereby constraining investor confidence, limiting stakeholder decision-making, and suppressing firm value (Failler et al., 2023; Qi, 2025; Abreu et al., 2019; Mandeng et al., 2022). Blue Accounting, defined as an integrated accounting framework that systematically measures and discloses ecological costs, marine conservation efforts, and social welfare impacts alongside financial indicators, has emerged to bridge this gap. Yet the mechanisms through which Blue Accounting translates into firm value remain empirically unverified.

The urgency of this inquiry is especially acute in Indonesia, whose national blue economy roadmap projects the sector to reach USD 1.33-1.36 trillion and contribute 15 percent of national GDP by 2045 (KKP, 2023). Yet this transformative ambition is being structurally undermined by the absence of reliable business data and integrated sustainability reporting in marine enterprises. In Aru Islands Regency, a biodiversity-rich archipelago wholly dependent on marine ecosystem health, fishing companies continue to operate without structured Blue Accounting, creating a profound information asymmetry between corporate activity and its ecological and social consequences. Where Blue Accounting is absent, firms cannot credibly communicate their ecological stewardship, coastal community contributions, or resource management commitments, factors increasingly central to investor confidence, stakeholder trust, and ultimately firm value (Bethel et al., 2021; Huang et al., 2022).

Four research gaps motivate this study. First, empirical investigation of Blue Accounting's direct effect on firm value remains nascent and geographically narrow. Existing studies are confined predominantly to developed market contexts, notably South Africa's Johannesburg Stock Exchange, and have not extended to small-scale fishery enterprises in developing island economies where ecological dependence and community governance dynamics are fundamentally different (Failler et al., 2023; Syah et al., 2020). Ocean accounting research has furthermore focused heavily on technical measurement approaches and neglected the intangible dimensions, such as social legitimacy and stakeholder trust, that are pivotal in determining firm value in social-ecological systems. The fundamental question of "accounting for whom, and with what effect on firm value?" thus remains unanswered in the Blue Accounting literature.

Second, the mediating mechanisms through which Blue Accounting translates into firm value remain theoretically proposed but empirically unverified, and studies examining Blue Accounting's effect on firm value within a single marine industry remain particularly scarce (Abreu et al., 2019; Syah et al., 2020). Third, while Legitimacy Theory has gained traction in sustainability reporting research, its specific mediating role between Blue Accounting disclosure and firm value has never been empirically tested in a fishery enterprise context. Fourth, meta-analytical evidence confirms that the positive impact of Blue Accounting and environmental management accounting on firm performance is moderated by national institutional context, performance type, and firm size, meaning that findings from large corporations in developed economies cannot be uncritically applied to small-scale fishing enterprises in Indonesian archipelagic regions. Collectively, these four gaps establish a clear and compelling empirical case for the present study.

Addressing these gaps, this study pursues three objectives. First, it provides the first empirical evidence of the direct effect of Blue Accounting on firm value, sustainable performance, and social legitimacy in island-based fishing enterprises in a developing archipelagic economy. Second, it determines the relative mediating strength of sustainable performance and social legitimacy in the Blue Accounting-firm value relationship. Third, it extends Legitimacy Theory (Deegan, 2002; Deegan, 2019; Schiopoia Burlea & Popa, 2013) and the Natural Resource-Based View (Hart, 1995; Barney et al., 2021) into the blue economy domain. The empirical context of nine fishing companies in Dobo, Aru Islands, with a census sample of 319 employees across a single, clearly bounded marine industry district, provides a methodologically robust setting for investigating these questions, with findings applicable to comparable island-based fishery regions in developing archipelagic economies.

LITERATURE REVIEW

Blue Accounting

Blue Accounting represents an extension of environmental accounting that focuses on the sustainable management of marine resources through a systematic process of recording and

reporting the interactions between economic activities and ocean ecosystems (Abreu et al., 2017). The concept extends beyond the measurement of financial performance to encompass the assessment of ecological costs including fishery waste, marine resource exploitation, and carbon footprints as well as social impacts such as the welfare of coastal communities and their engagement in marine conservation (Abreu et al., 2019; Failler et al., 2023; Syah et al., 2020).

From a sustainability theory perspective, Blue Accounting functions as an instrument for internalising environmental and social values into corporate accounting systems. This is consistent with the Triple Bottom Line (TBL) principle advanced by Elkington (1997), whereby organisational success is measured not solely by profitability but also by contribution to human welfare (people) and environmental preservation (planet) (Shim et al., 2021).

Midlen (2023) in the study A 'collaborative blue economy governmentality', argues that Blue Accounting provides a quantitative foundation for sustainable ocean governance through the integration of ecological and economic data. In this way, Blue Accounting assists institutions and enterprises in connecting resource efficiency, marine conservation, and social welfare within a single transparent and measurable reporting system.

Research by Bethel et al. (2021) and Voyer et al. (2018) in Marine Policy further demonstrates that the application of a blue economy accounting framework strengthens the linkage between economic productivity and marine ecosystem health. Accordingly, Blue Accounting-based reporting enhances the efficiency of marine resource use, reinforces corporate accountability, and improves the trust of communities and investors in the long-term sustainability of fishing businesses.

In the context of island-based fishing industries such as Aru Islands Regency, Blue Accounting is particularly relevant. Island regions face inherent resource constraints and a high degree of dependence on marine ecosystems. Blue Accounting therefore represents not merely an environmental responsibility, but a sustainability strategy that supports improved sustainability performance and generates the social legitimacy that ultimately enhances firm value (Ertör & Hadjimichael, 2020).

According to Mandeng et al. (2022), the adoption of Blue Accounting enables companies to identify, measure, and manage the ecological impacts of their operational activities. Transparent, ocean-based reporting assists companies in improving energy efficiency, reducing waste, and optimising the use of natural resources. Greve (2020) similarly found that environmental accounting integrated with sustainable management systems enhances the economic, social, and environmental performance of firms.

Legitimacy Theory

Legitimacy Theory (Suchman, 1995) posits that the sustainability of an organisation depends on the extent to which its activities are perceived as lawful, appropriate, and consistent with the values and norms of society. Firms attain legitimacy when their operations align with societal expectations. In the context of the fishing industry, social legitimacy emerges when companies demonstrate genuine commitment to the preservation of marine ecosystems, transparency in environmental reporting, and active engagement with coastal communities (Adomako & Tran, 2024).

This theoretical perspective regards environmental and social reporting not as a mere administrative obligation, but as a strategic mechanism for acquiring and sustaining societal legitimacy (C. M. Deegan, 2019). In this regard, the adoption of Blue Accounting through the reporting of marine conservation costs, energy efficiency, and fishery waste management functions as a legitimacy instrument that connects sustainability performance with public perception and firm value.

Empirical evidence supports this relationship. K. Singh & Arora (2025) found that consistent sustainability disclosure enhances corporate legitimacy in both public and private sector contexts, while Brown (2025) confirmed that Blue Accounting assists governments and the marine industry in attaining international legitimacy through ecosystem-based reporting. Moreover, Deegan (2019) demonstrated that organisational legitimacy functions as a mediating mechanism that explains the relationship between social responsibility and the creation of economic value.

Firms that exhibit high sustainability performance for instance through marine conservation and coastal community engagement will obtain stronger social legitimacy. Research by Blanco-González et al. (2025) and Edelen et al. (2023) found that improvements in sustainability performance strengthen corporate reputation and broaden social acceptance among stakeholders. Social legitimacy, in turn, serves as an intangible asset that enhances reputation, image, and stakeholder trust (C. M. Deegan, 2019; Schiopoiu Burlea & Popa, 2013), ultimately contributing positively to firm value.

Natural Resource-Based View (NRBV)

Resource-Based View (RBV) (Barney, 1991) argues that sustainable competitive advantage derives from internal resources that are valuable, rare, inimitable, and non-substitutable (VRIN) (Beamish & Chakravarty, 2021; Furr & Eisenhardt, 2021). In the sustainability context, the adoption of Blue Accounting creates unique capabilities in the management of environmental and social resources that are difficult for competitors to replicate.

Firms that internalise sustainability principles into their accounting and internal management systems develop green and blue capabilities including marine conservation innovation, energy efficiency, and sustainability reporting systems. These resources function simultaneously as operational efficiency enhancers and as reputational capital, ultimately improving both performance and firm value (Freeman et al., 2021).

Research by Greve (2020) demonstrates that the adoption of environmental accounting enhances operational efficiency and provides long-term competitive advantage. Barney et al. (2021) found that the integration of sustainability-based resources such as environmental reporting systems and eco-friendly innovation strengthens competitive advantage with a direct positive impact on firm value. In the fishery context, proficiency in Blue Accounting practices creates unique capabilities for monitoring, reporting, and managing marine assets efficiently, thereby constituting a strategic resource that reinforces competitive positioning and corporate legitimacy.

Research by B. Gerhart & Feng (2021) and McGahan (2021) demonstrates that firms implementing comprehensive environmental accounting experience increased firm value due to higher adaptive capabilities and stronger sustainability reputations. This is further substantiated by Freeman et al. (2021) who affirm that sustainability-oriented resources constitute a critical factor in building long-term corporate value. In the fishing enterprise context, Blue Accounting strengthens legitimacy in the eyes of the public and regulators, attracts investor confidence, and signals the capacity to manage marine resources sustainably capabilities that are unique and difficult to replicate (VRIN), thereby enhancing firm value.

Research Model

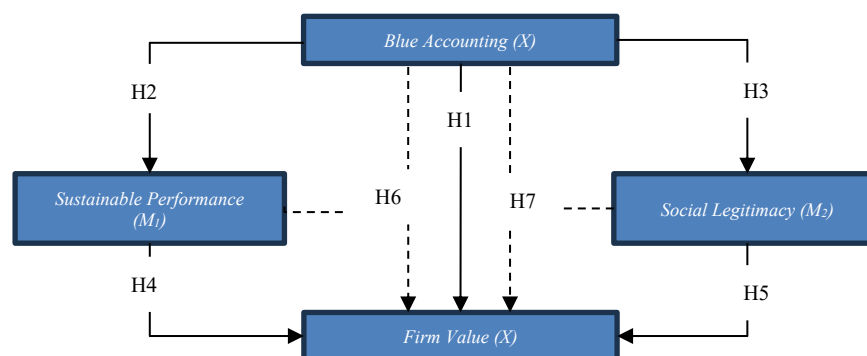


Figure 1. Conceptual Research Framework

The research model developed in this study depicts the causal relationships among Blue Accounting, Sustainable Performance, Social Legitimacy, and Firm Value in island-based fishing industries. In this model, Blue Accounting (X) is positioned as the independent variable influencing Firm Value (Y), both directly and indirectly through two parallel mediating variables: Sustainable

Performance (M1) and Social Legitimacy (M2). The direct relationship between Blue Accounting and Firm Value (H1) demonstrates that the adoption of a marine environmental accounting system can directly improve resource efficiency and corporate reputation. The indirect pathways (H6 and H7) explain that Blue Accounting independently enhances both Sustainable Performance (M1) and Social Legitimacy (M2), each of which in turn produces a positive effect on Firm Value (Y) through separate mediating channels.

Hypothesis Development

The hypotheses of this study are developed from the theoretical arguments of Legitimacy Theory (Suchman, 1995; Deegan, 2019), the Natural Resource-Based View (Hart, 1995; Barney et al., 2021), and the Triple Bottom Line framework (Elkington, 1997), as follows. Grounded in the Natural Resource-Based View, firms that implement Blue Accounting develop unique marine-environmental reporting capabilities that signal responsible resource stewardship to investors and stakeholders, directly strengthening firm value (Barney et al., 2021; Mandeng et al., 2022).

Accordingly, H1 posits that Blue Accounting has a positive effect on Firm Value. Drawing on the Triple Bottom Line principle, Blue Accounting integrates ecological, social, and economic dimensions into corporate reporting, which drives measurable improvements in sustainability performance (Bethel et al., 2021; Voyer et al., 2018); H2 therefore proposes that Blue Accounting has a positive effect on Sustainable Performance. Anchored in Legitimacy Theory, transparent Blue Accounting disclosure signals genuine commitment to marine ecosystem preservation and community welfare, thereby acquiring and sustaining societal legitimacy (Deegan, 2019; Singh & Arora, 2025); H3 accordingly suggests that Blue Accounting has a positive effect on Social Legitimacy.

Consistent with the Natural Resource-Based View, firms with higher Sustainable Performance develop capabilities that are difficult to replicate, attracting investor confidence and translating into higher firm value (Blanco-González et al., 2025; Freeman et al., 2021); H4 therefore argues that Sustainable Performance has a positive effect on Firm Value. From a Legitimacy Theory perspective, Social Legitimacy constitutes an intangible reputational asset that enhances stakeholder trust and corporate credibility, ultimately contributing to firm value (Deegan, 2019; Schiopoiu Burlea & Popa, 2013); H5 accordingly proposes that Social Legitimacy has a positive effect on Firm Value. Integrating the Natural Resource-Based View with the Blue Accounting–performance relationship, Sustainable Performance functions as an intermediate capability through which accounting transparency creates economic value.

H6 states that Sustainable Performance mediates the effect of Blue Accounting on Firm Value. Finally, grounded in Legitimacy Theory, Social Legitimacy functions as the primary intangible mechanism through which Blue Accounting disclosure translates into firm value in community-dependent fishery industries (Adomako & Tran, 2024; Deegan, 2019); H7 posits that Social Legitimacy mediates the effect of Blue Accounting on Firm Value.

METHOD

This study adopts a quantitative explanatory approach to examine causal relationships among the variables under investigation (Creswell, 2014). The empirical model takes the form of a parallel mediation model with two mediating variables situated between the independent variable, Blue Accounting, and the dependent variable, Firm Value. The analytical approach employs Partial Least Squares Structural Equation Modeling (PLS-SEM), which is well-suited for complex models, newly conceptualised latent variables such as Blue Accounting, and moderate sample sizes (Mazzoli et al., 2025).

Population and Sampling

The population of this study comprises all employees of nine fishing companies operating in Dobo City: CV. Lautan Berkah Melimpah, CV. Anugerah Bahari Mandiri, CV. Lucky Surya Timur, CV. Citra Tunggal Karsa, PT. Darma Aru Mina, CV. Bahari Aru Permai, PT. Laut Timur Utama, PT. Rezeki Samudera Abadi, and PT. Niaga Indonesia Perkasa. These companies operate in the Aru Islands, Dobo City, and are engaged in the processing and distribution of marine catch,

applying resource efficiency principles in their operational activities. Field surveys conducted by the authors identified a total population of 319 employees working across these fishing enterprises.

Given the relatively small population size, this study employs a census or total sampling method also referred to as saturated sampling in which the entire population serves as the research sample (McChesney & Aldridge, 2019). This approach was selected to obtain a comprehensive understanding of all employees' perceptions regarding the adoption of Blue Accounting, sustainability performance, social legitimacy, and firm value. Accordingly, the total number of respondents constituting the sample in this study is 319.

The census method is considered appropriate for this explanatory quantitative research because it enables the testing of causal relationships among variables within a homogeneous population. Furthermore, this approach satisfies the minimum sample size criteria required for PLS-SEM analysis. According to Creswell (2014), the minimum sample size for PLS-SEM is five to ten times the largest number of arrows pointing to any single latent construct in the model.

The criteria for inclusion as a respondent were: (1) active employees with a minimum of six months of tenure; (2) individuals involved in operational, accounting, or managerial activities; and (3) individuals possessing an understanding of the company's environmental policies and practices. Respondents who did not meet these criteria such as daily casual workers or non-core outsourced staff were excluded from the research sample.

Questionnaires were distributed directly to all eligible employees with the assistance of unit work coordinators. Data collection was conducted over a two-week period to ensure that all respondents had sufficient time to complete the questionnaire. The researchers guaranteed the confidentiality and anonymity of all data and included an informed consent form as evidence of voluntary participation.

Data Analysis Technique

This study employs a quantitative explanatory approach to examine causal relationships among the research variables: Blue Accounting, Sustainable Performance, Social Legitimacy, and Firm Value. The data analysis technique applied is Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS 4.0 software. This approach was selected because of its capacity to estimate relationships among latent variables within complex models with relatively small sample sizes and without the requirement of normally distributed data (Hair et al., 2019).

Data analysis was conducted through two primary stages. The first stage is the Measurement Model Evaluation (Outer Model), which aims to assess the validity and reliability of the indicators for each latent construct. Convergent validity is evaluated through factor loadings ≥ 0.70 and Average Variance Extracted (AVE) ≥ 0.50 . Reliability is assessed using Cronbach's Alpha and Composite Reliability (CR) values ≥ 0.70 . Discriminant validity is evaluated through the Fornell-Larcker criterion and the HTMT ratio (< 0.85). The second stage is the Structural Model Evaluation (Inner Model), which aims to test the direct, indirect, and mediation effects among variables in accordance with the research hypotheses. Significance testing is performed using the bootstrapping method with 5,000 resamples at a 5% significance level ($p\text{-value} < 0.05$). The R^2 value is used to measure the predictive capability of the endogenous constructs, while Q^2 is used to assess the predictive relevance of the model. In addition, the Goodness of Fit (GoF) test is used to ensure the overall adequacy of the structural model. Multicollinearity among variables is assessed through Variance Inflation Factor (VIF) values with a maximum threshold of < 3.3 (Kock & Hadaya, 2018). The significance of mediation effects is determined based on the indirect effect values tested through bootstrapping and 95% confidence intervals. A mediation model is considered significant when the indirect effect is statistically different from zero (i.e., zero is not included in the confidence interval).

RESULTS

This section presents the findings of the study on the effect of Blue Accounting on Firm Value, mediated independently by Sustainable Performance (M1) and Social Legitimacy (M2) through two parallel mediating pathways, based on a sample of 319 employees across nine fishing companies in Dobo, Aru Islands, Indonesia. The analysis was conducted using Partial Least Squares

Structural Equation Modeling (PLS-SEM) with SmartPLS 4.2.9 software. The evaluation follows two main stages: the Outer Model (measurement model) assessment and the Inner Model (structural model) assessment, followed by comprehensive hypothesis testing.

Discriminant Validity

Discriminant validity ensures that each construct is empirically distinct from other constructs in the model. Two criteria are applied: the Fornell-Larcker criterion and cross-loading analysis. Under the Fornell-Larcker criterion, the square root of AVE for each construct must exceed its correlations with other constructs. Table 1 reports the Fornell-Larcker criterion values.

Table 1. Discriminant Validity - Fornell-Larcker Criterion

Variable	Blue Accounting	Firm Value	Social Legitimacy	Sustainable Performance
Blue Accounting	0.837	-	-	-
Firm Value	0.635	0.856	-	-
Social Legitimacy	0.659	0.741	0.851	-
Sustainable Performance	0.577	0.679	0.732	0.845

Source: SmartPLS 4.2.9 Output (2026)

Table 1 shows that the diagonal values (square root of AVE) for all constructs Blue Accounting (0.837), Firm Value (0.856), Social Legitimacy (0.851), and Sustainable Performance (0.845) are consistently higher than the off-diagonal correlations with other constructs. This confirms that each construct is distinctly different from the others and that discriminant validity is satisfactorily met (Fornell & Larcker, 1981). The highest inter-construct correlation is between Social Legitimacy and Firm Value (0.741), which is still below the respective square root of AVE values, further supporting the distinctiveness of these constructs.

Heterotrait-Monotrait Ratio (HTMT)

As a supplementary assessment of discriminant validity, the Heterotrait-Monotrait Ratio (HTMT) was examined. The HTMT value must be below 0.90 for discriminant validity to be confirmed (Henseler et al., 2015). Table 2 presents the HTMT ratios among all constructs.

Table 2. Discriminant Validity - HTMT Ratio

Variable	Blue Accounting	Firm Value	Social Legitimacy	Sustainable Performance
Blue Accounting	-	-	-	-
Firm Value	0.695	-	-	-
Social Legitimacy	0.719	0.813	-	-
Sustainable Performance	0.627	0.738	0.799	-

Source: SmartPLS 4.2.9 Output (2026)

As presented in Table 2, all HTMT values are well below the threshold of 0.90, with the highest value recorded between Social Legitimacy and Firm Value (0.813) and between Social Legitimacy and Sustainable Performance (0.799). These results confirm satisfactory discriminant validity under the HTMT criterion, meaning each construct measures a distinct and non-redundant dimension within the model (Henseler et al., 2015). Taken together, the Fornell-Larcker criterion (Table 1) and the HTMT analysis (Table 2) collectively confirm that all four constructs, Blue Accounting, Sustainable Performance, Social Legitimacy, and Firm Value, are empirically distinct and well-differentiated, providing robust and converging evidence of satisfactory discriminant validity for the entire measurement model.

Reliability Assessment

Reliability was evaluated using Cronbach's Alpha, Composite Reliability (ρ_a), and Average

Variance Extracted (AVE). A construct is considered reliable when Composite Reliability and Cronbach's Alpha exceed 0.70, and AVE exceeds 0.50 (Hair et al., 2021). Table 3 summarises the reliability statistics.

Table 3. Reliability Assessment - Cronbach's Alpha, Composite Reliability, and AVE

Variable	Cronbach's Alpha	Composite Reliability (rho_a)	AVE
Blue Accounting	0.914	0.933	0.700
Firm Value	0.909	0.932	0.733
Social Legitimacy	0.905	0.929	0.724
Sustainable Performance	0.920	0.937	0.713

Source: SmartPLS 4.2.9 Output (2026)

Table 3 reveals that all four constructs satisfy the reliability thresholds. Cronbach's Alpha values range from 0.905 (Social Legitimacy) to 0.920 (Sustainable Performance), Composite Reliability values range from 0.929 (Social Legitimacy) to 0.937 (Sustainable Performance), and AVE values range from 0.700 (Blue Accounting) to 0.733 (Firm Value), all exceeding the minimum threshold of 0.50. These results demonstrate that the measurement instruments employed in this study are internally consistent and reliable across all constructs (Hair et al., 2021). The consistently high AVE values indicate that each construct explains more than 70% of the variance in its indicators, which is well above the acceptable minimum.

Structural Model (Inner Model) Evaluation

Following the confirmation of outer model validity and reliability, the inner model was evaluated to assess the predictive power and fit of the structural model. The evaluation encompasses the coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2).

Coefficient of Determination (R^2)

The R-square (R^2) value measures the proportion of variance in each endogenous construct that is explained by the exogenous constructs in the model. According to Hair et al. (2021), R^2 values of 0.75, 0.50, and 0.25 are characterised as substantial, moderate, and weak, respectively. Table 4 reports the R^2 values.

Table 4. Coefficient of Determination (R^2 and R^2 -Adjusted)

Variable	R-Square	R-Square Adjusted
Firm Value	0.615	0.611
Social Legitimacy	0.435	0.433
Sustainable Performance	0.332	0.330

Source: SmartPLS 4.2.9 Output (2026)

The results in Table 4 indicate that Firm Value has an R^2 of 0.615, meaning that 61.5% of its variance is explained by the independent and mediating variables in this model, which represents a moderate-to-substantial level of explanatory power. Social Legitimacy shows an R^2 of 0.435, indicating that 43.5% of its variance is explained by Blue Accounting, while Sustainable Performance has an R^2 of 0.332, with 33.2% of its variance accounted for by Blue Accounting. The remaining variance in each construct is attributable to factors outside the scope of this study. These R^2 values are consistent with findings in similar sustainability accounting research (Abreu et al., 2019; G. G. Singh et al., 2021).

Effect Size (f^2)

The f-square (f^2) statistic measures the relative contribution of each predictor construct on the endogenous construct. Values of 0.02, 0.12, and 0.35 represent small, medium, and large effects, respectively (Selya et al., 2012). Table 5 presents the f^2 values.

Table 5. Effect Size (f^2)

Variable	Blue Accounting	Firm Value	Social Legitimacy	Sustainable Performance
Blue Accounting	-	0.067	0.770	0.498
Social Legitimacy	-	0.170	-	-
Sustainable Performance	-	0.073	-	-

Source: SmartPLS 4.2.9 Output (2026)

The f^2 results in Table 5 reveal that Blue Accounting exerts a large effect on Social Legitimacy ($f^2 = 0.770$) and a medium-to-large effect on Sustainable Performance ($f^2 = 0.498$), indicating substantial practical significance in these relationships. The effect of Blue Accounting on Firm Value ($f^2 = 0.067$), Social Legitimacy on Firm Value ($f^2 = 0.170$), and Sustainable Performance on Firm Value ($f^2 = 0.073$) range from small to medium, which is nonetheless relevant given the multiple mediating pathways involved. These results confirm that Social Legitimacy is the primary channel through which Blue Accounting creates value, consistent with Legitimacy Theory (Suchman, 1995) in (C. M. Deegan, 2019).

Predictive Relevance (Q^2)

Predictive relevance was assessed through the Stone-Geisser Q^2 statistic using the blindfolding procedure. A Q^2 value greater than zero indicates that the model has predictive relevance for the endogenous construct (Hair et al., 2021). Table 6 reports the Q^2 values.

Table 6. Predictive Relevance (Q^2)

Variable	$Q^2 (=1-SSE/SSO)$	Interpretation
Firm Value	0.445	Predictive relevance confirmed
Social Legitimacy	0.308	Predictive relevance confirmed
Sustainable Performance	0.235	Predictive relevance confirmed

Source: SmartPLS 4.2.9 Output (2026)

As presented in Table 6, all endogenous constructs exhibit Q^2 values greater than zero: Firm Value ($Q^2 = 0.445$), Social Legitimacy ($Q^2 = 0.308$), and Sustainable Performance ($Q^2 = 0.235$). These positive values confirm that the structural model possesses adequate predictive relevance, meaning that the model can accurately predict the observed values of these constructs beyond chance (Hair et al., 2021). The highest Q^2 for Firm Value (0.445) indicates that the combined predictive paths through Blue Accounting, Social Legitimacy, and Sustainable Performance collectively capture nearly half of the explained variance, reinforcing the practical utility of the model.

Hypothesis Testing

The structural path relationships were tested through bootstrapping with 5,000 resamples at a 5% significance level (two-tailed). A hypothesis is supported when the T-statistic exceeds 1.960 and the p-value is below 0.05 (Hair et al., 2021). Table 7 summarises the results of all seven hypotheses.



Figure 2. Hypothesis Testing
Source: SmartPLS 4.2.9 Output (2026)

Table 7. Summary of Hypothesis Testing Results (Bootstrapping, n = 5,000)

Hypothesis Path	Original Sample (O)	T-Statistic	P-Value	Decision
H1: Blue Accounting (X) has a positive effect on Firm Value (Y)	0.217	4.377	0.000	Supported
H2: Blue Accounting (X) has a positive effect on Sustainable Performance (M1)	0.577	9.932	0.000	Supported
H3: Blue Accounting (X) has a positive effect on Social Legitimacy (M2)	0.659	19.053	0.000	Supported
H4: Sustainable Performance (M1) has a positive effect on Firm Value (Y)	0.249	3.749	0.000	Supported
H5: Social Legitimacy (M2) has a positive effect on Firm Value (Y)	0.415	6.033	0.000	Supported
H6: Sustainable Performance (M1) mediates the effect of Blue Accounting (X) on Firm Value (Y)	0.144	2.933	0.003	Supported
H7: Social Legitimacy (M2) mediates the effect of Blue Accounting (X) on Firm Value (Y)	0.274	5.888	0.000	Supported

Source: SmartPLS 4.2.9 Output (2026)

DISCUSSION

The Effect of Blue Accounting on Firm Value (H1)

The analysis reveals that Blue Accounting has a significant positive effect on Firm Value, with a path coefficient of 0.217, T-statistic of 4.377, and p-value of 0.000. This finding supports H1 and is consistent with the Resource-Based View (RBV), which posits that sustainable internal capabilities particularly those that are valuable, rare, inimitable, and non-substitutable constitute a source of competitive advantage that enhances firm value (Barney et al., 2021). In the context of Dobo fishing companies, the adoption of Blue Accounting practices, including the measurement and disclosure of ecological costs, marine resource conservation efforts, and social impact reporting, appears to directly strengthen the perceived and market value of these enterprises.

These findings align with prior studies by Barney et al. (2021) and Barry Gerhart & Feng (2021), who found that the integration of environmental accounting into management systems positively influences both financial and non-financial dimensions of firm value. Furthermore, the result corroborates the argument advanced by Mandeng et al. (2022) that transparent, ocean-based reporting helps companies improve energy efficiency, reduce waste, and optimise natural resources all of which collectively translate into enhanced firm value. In the context of the Aru Islands fishery sector, where dependence on marine ecosystems is particularly high, the transparency and accountability embedded in Blue Accounting practices signal responsible resource stewardship to investors and stakeholders, thereby contributing to higher firm valuations.

The Effect of Blue Accounting on Sustainable Performance (H2)

The results demonstrate that Blue Accounting significantly and positively influences Sustainable Performance, with a path coefficient of 0.577, T-statistic of 9.932, and p-value of 0.000, thereby supporting H2. This finding is among the strongest direct effects in the model and is consistent with the Triple Bottom Line framework (Elkington, 1997), which suggests that the integration of economic, ecological, and social dimensions into accounting systems strengthens overall sustainability performance.

Specifically, fishing companies that systematically record and report environmental costs such as waste management, energy use, and marine ecosystem conservation demonstrate higher operational sustainability performance. This is consistent with Bethel et al. (2021) and Voyer et al. (2018), who found that the application of blue economy accounting frameworks strengthens the linkage between economic productivity and marine ecosystem health. The high f^2 value for this

relationship (0.498) further confirms the substantial practical significance of Blue Accounting in driving Sustainable Performance, reinforcing the theoretical proposition that accounting transparency is not merely a reporting exercise but a strategic driver of sustainability outcomes in island-based fishery industries.

The Effect of Blue Accounting on Social Legitimacy (H3)

Blue Accounting demonstrates the strongest direct effect in the model on Social Legitimacy, with a path coefficient of 0.659, T-statistic of 19.053, and p-value of 0.000, supporting H3. The large effect size ($f^2 = 0.770$) and R^2 of 0.435 for Social Legitimacy further underscore the dominant role of Blue Accounting in shaping public perception and stakeholder acceptance. This finding strongly aligns with Legitimacy Theory (Suchman, 1995), which argues that organisations sustain their existence by ensuring their activities are perceived as appropriate and consistent with societal values and norms.

In the Aru Islands context, where coastal communities are deeply dependent on marine resources, the adoption of Blue Accounting practices signals genuine corporate commitment to ecological responsibility and social accountability. This transparency and accountability are critical in building and maintaining social legitimacy with local fishing communities, government regulators, and broader stakeholders. The result is consistent with C. M. Deegan (2019), who argues that environmental and social disclosure serves as a strategic instrument for acquiring and maintaining organisational legitimacy. Brown (2025) similarly found that blue accounting assists marine industry organisations in achieving international legitimacy through ecosystem-based reporting, a dynamic clearly observable in the Dobo fisheries context.

The Effect of Sustainable Performance on Firm Value (H4)

The analysis confirms that Sustainable Performance significantly and positively affects Firm Value ($\beta = 0.249$, $T = 3.749$, $p = 0.000$), supporting H4. This finding indicates that fishing companies in Dobo that demonstrate higher levels of sustainability performance encompassing ecological, social, and economic dimensions achieve higher firm values. The result is consistent with Blanco-González et al. (2025) and Edelen et al. (2023), who found that enhanced sustainability performance strengthens corporate reputation and broadens stakeholder acceptance, both of which are prerequisites for value creation.

From a Resource-Based View perspective, Sustainable Performance constitutes a valuable organisational capability that is difficult to replicate, thereby contributing to sustainable competitive advantage and firm value (Barney et al., 2021; Freeman et al., 2021). Companies that systematically report their conservation activities and social contributions attract greater investor confidence and achieve stronger market positioning, as stakeholders increasingly reward transparent sustainability commitments. In the Aru Islands fishery sector, where environmental sustainability directly determines long-term resource availability and business viability, improving Sustainable Performance is not merely a reputational strategy but a fundamental driver of long-term value.

The Effect of Social Legitimacy on Firm Value (H5)

Social Legitimacy exhibits the second largest direct effect on Firm Value in the model ($\beta = 0.415$, $T = 6.033$, $p = 0.000$), confirming H5 and establishing Social Legitimacy as the most impactful mediating mechanism in the model. This result is consistent with C. M. Deegan (2019) and Schiopoiu Burlea & Popa (2013), who argue that social legitimacy functions as an intangible asset that enhances corporate reputation, image, and stakeholder trust. When fishing companies are perceived by coastal communities and government as operating responsibly and in alignment with societal values, they attract greater social and regulatory support, which translates into improved market positioning and financial performance.

The finding also resonates with K. Singh & Arora (2025), who demonstrated that consistent sustainability disclosure increases corporate legitimacy in both public and private sector organisations. In the specific context of island-based fishing enterprises, Social Legitimacy is particularly significant given the close interdependence between corporate operations and

community livelihoods. Companies that actively engage with coastal communities, report environmental impacts transparently, and demonstrate commitment to marine conservation are more likely to earn the sustained trust necessary for long-term business viability and value enhancement. The effect size of Social Legitimacy on Firm Value ($f^2 = 0.170$) further confirms a medium and meaningful practical contribution.

Mediating Role of Sustainable Performance (H6)

The indirect effect of Blue Accounting on Firm Value through Sustainable Performance is positive and significant ($\beta = 0.144$, $T = 2.933$, $p = 0.003$), supporting H6 and confirming the partial mediating role of Sustainable Performance in this causal chain. This result indicates that Blue Accounting enhances Firm Value not only through its direct effect but also by first improving Sustainable Performance, which subsequently contributes to higher firm value. The confidence interval for this indirect effect excludes zero, confirming the statistical significance of the mediation (Hair et al., 2021)

This finding extends prior research by demonstrating that the pathway Blue Accounting, Sustainable Performance, Firm Value constitutes a meaningful mechanism through which transparent, ocean-oriented accounting practices create economic value in fishery enterprises. From an NRBV standpoint, sustainability capabilities developed through Blue Accounting such as improved resource efficiency, reduced environmental costs, and enhanced operational sustainability, serve as the intermediate resource that translates accounting transparency into higher firm value. The result is consistent with Greve (2020), who found that environmental accounting integration increases operational efficiency and provides long-term competitive advantage, and with Adomako & Tran (2024), who demonstrated that social legitimacy and stakeholder embeddedness constitute critical mediating mechanisms through which corporate accountability translates into sustainable performance in natural-resource-dependent industries.

Mediating Role of Social Legitimacy (H7)

The indirect effect of Blue Accounting on Firm Value through Social Legitimacy is positive, significant, and the largest of the two mediation pathways ($\beta = 0.274$, $T = 5.888$, $p = 0.000$), supporting H7 and confirming that Social Legitimacy serves as the dominant mediating channel. This finding substantiates the theoretical proposition of Legitimacy Theory (Suchman, 1995) that voluntary and transparent environmental and social disclosure strengthens societal acceptance, which in turn creates economic value. The substantially larger indirect effect through Social Legitimacy ($\beta = 0.274$) compared to the pathway through Sustainable Performance ($\beta = 0.144$) suggests that in island-based fishery industries, the reputational and legitimacy benefits of Blue Accounting are more impactful drivers of firm value than the operational improvements alone.

This pattern is consistent with C. M. Deegan (2019), who argues that organisations operating in sectors with direct community dependencies such as coastal fisheries must actively manage their legitimacy through transparent reporting as a prerequisite for sustained business performance. The result also resonates with Adomako & Tran (2024), who found that stakeholder trust is fundamental in emerging market contexts where regulatory enforcement is limited and community relationships are the primary governance mechanism. In the Dobo fisheries context, the ability to cultivate and maintain social legitimacy through Blue Accounting practices thus represents the most critical pathway through which accounting transparency translates into firm value.

CONCLUSION

This study examined the effect of Blue Accounting on Firm Value, mediated by Sustainable Performance and Social Legitimacy, in nine fishing companies operating in Dobo, Aru Islands, Indonesia. Using PLS-SEM analysis with a census sample of 319 employees, the study produced several important findings. First, Blue Accounting demonstrates significant and positive direct effects on Firm Value, Sustainable Performance, and Social Legitimacy, confirming that the adoption of ocean-oriented, sustainability-integrated accounting practices creates measurable value at multiple levels. Second, Sustainable Performance and Social Legitimacy both positively and significantly influence Firm Value, and both serve as meaningful mediating mechanisms in the

Blue Accounting–Firm Value relationship. Third, the mediation analysis reveals that Social Legitimacy constitutes the dominant pathway ($\beta = 0.274$), surpassing the mediation through Sustainable Performance ($\beta = 0.144$), indicating that legitimacy-building through transparent accounting is the most powerful mechanism for value creation in island-based fishery industries.

Theoretically, this study contributes to the emerging literature on Blue Accounting by providing the first empirical evidence of its effect on Firm Value in the context of Indonesian island fishery enterprises. The findings extend Legitimacy Theory and the Resource-Based View to the blue economy domain, offering a nuanced understanding of how sustainability-oriented accounting practices generate both operational and reputational value. Practically, the results underscore the importance of implementing structured Blue Accounting systems as a strategic tool for fishing companies in island regions to simultaneously enhance sustainability performance, build social legitimacy, and increase firm value.

Implications

For managers of fishing companies in Dobo and similar island-based contexts, the findings suggest that investment in Blue Accounting systems including the systematic recording of ecological costs, marine conservation expenditures, and social impact metrics represents a strategically valuable decision that enhances both operational sustainability and firm value. The dominant mediation pathway through Social Legitimacy implies that communication and transparency with coastal communities and local governments should be prioritised as a core component of sustainability reporting strategy. Companies should pursue sector-specific blue economy certifications to formalise their commitment to sustainable marine practices and to strengthen their competitive positioning. For policymakers, particularly the Ministry of Marine Affairs and Fisheries of the Republic of Indonesia (KKP), the results provide a strong empirical basis for mandating sustainability-integrated accounting disclosure for fishing enterprises operating in ecologically sensitive island regions. Regulatory frameworks should incentivise or require structured environmental and social reporting for marine-sector companies, particularly in archipelagic areas like Aru Islands where community-ecosystem interdependencies are greatest. Support for Blue Accounting capacity building through training programmes, standardised reporting frameworks, and fiscal incentives would further strengthen the sustainability and legitimacy of the fishery sector.

Limitations and Future Research

This study has several limitations that point toward productive future research directions. First, the study was conducted in a single geographic context (Dobo, Aru Islands), which limits the generalisability of findings to other island fishery regions or to different industries. Future research should conduct cross-regional or cross-country comparative analyses to validate and extend these findings. Second, this study relied on perceptual data collected from employees, which may introduce common method bias. Future studies could triangulate with objective financial and environmental performance data. Third, the cross-sectional design precludes causal inference over time; longitudinal research would enable a richer understanding of how Blue Accounting practices gradually build social legitimacy and firm value. Finally, future studies could explore additional mediating or moderating variables such as institutional environment, managerial environmental commitment, or digital reporting technology to further illuminate the mechanisms through which Blue Accounting influences firm outcomes.

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