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Institutional reflections on firms' corporate sustainability practices

Case All Nippon Airways

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ABSTRACT:
Companies are facing pressure to acknowledge their influence on the environment and surrounding communities. Thus, corporate sustainability practices are becoming an important part of companies' strategies. The pressures and drivers for companies to engage in sustainable practices have been immensely studied. However, there is a gap in research of the institutional pressures on corporate sustainability. The purpose of this study is to explore how formal and informal institutional pressures influence a company's corporate sustainability practices. This study has specifically focused on an aviation company to study institutional pressures from national, industry and global levels.

The literature review of this study is combined of two key theories: the triple bottom line and institutional theory. Corporate sustainability practices are discussed based on the triple bottom-line framework. The triple bottom-line divides corporate sustainability into economic, environmental, and social dimensions. Institutional theory on the other hand is a theory that assumes organizations conform to their surrounding institutions. Institutions can be divided into formal and informal. Formal institutions refer to regulations and policies whereas informal institutions refer to norms, values, and beliefs. The regulations, norms and culture of an organization's environment influence its' decisions and the outcomes of those decisions. Institutions are also found to influence different sustainability aspects.

This study was made as a case study on a Japanese aviation company All Nippon Airways. For this study the author has chosen a qualitative method and an abductive approach. The thesis is based on secondary data which has been carefully chosen to create a reliable understanding of case company's corporate sustainability practices and institutional environment. The case company's corporate sustainability practices where analyzed and corporate sustainability themes were created based on the analysis. Secondary data was gathered from multiple sources to understand the regulations, policies, norms, cultural values and beliefs affecting the company.

The findings of this study are in line with previous studies and show that institutional pressures do influence company's corporate sustainability practices. Both formal and informal institutions were found to influence all dimensions of corporate sustainability. Specifically informal institutional pressures were found to influence the social sustainability dimension. Economic sustainability was the least affected by institutional pressures which could indicate a more internal motivation for economic sustainability. Informal institutional pressures that were in line with sustainability values supported corporate sustainability practices beyond just regulatory compliance.

KEYWORDS: corporate sustainability, institutional theory, triple bottom line, formal institution, informal institution

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TIIVISTELMÄ:
Yritykset kohtaavat yhä enemmän paineita ottaa vastuuta vaikutuksistaan ympäristöön ja yhteiskuntaan. Yritysten kestävyystoiminnot ovat tulleet tärkeäksi osaksi yritysten strategiaa. Tekijöitä, jotka kannustavat yrityksiä osallistumaan kestävyystoimintoihin on tutkittu jo laajasti. Yrityskestävyyden tutkimuksessa on kuitenkin vielä aukko instituutioiden vaikutuksissa yritysten kestävyystoimintoihin. Tämän tutkimuksen tavoitteena on tarkastella, miten viralliset ja epäviralliset instituutionaaliset paineet vaikuttavat yrityksen kestävyystoimintoihin. Tämä tutkimus keskittyy erityisesti ilmailualan yritykseen, jotta tutkimuksessa voidaan ottaa huomioon institutionaaliset paineet kansallisella, globaalilla ja alan tasolla.

Tutkimuksen kirjallisuuskatsaus muodostuu kahdesta pääteoriasta: kolmoistilinpäätöksestä ja institutionaalisesta teoriasta. Yrityksen kestävyystoiminnoista puhutaan kolmoistilinpäätöksen mukaisesti. Kolmoistilinpäätöksen mukaan yrityskestävyys jaetaan taloudelliseen, ekologiseen ja sosiaaliseen ulottuvuuteen. Institutionaalinen teoria taas olettaa, että organisaatiot sopeutuvat niitä ympäröiviin instituutioihin. Instituutiot voidaan jakaa virallisiin ja epävirallisiin instituutioihin. Virallisilla instituutioilla tarkoitetaan pakottavia säädöksiä ja käytäntöjä, kun taas epävirallisilla instituutioilla tarkoitetaan normeja, arvoja ja uskomuksia. Organisaation toimintaympäristön säädökset, normit ja kulttuuri vaikuttavat sen päätöksiin ja niiden päätösten lopputulemiin. Instituutiot vaikuttavat myös erilaisiin kestävyyden puoliin.

Tämä tutkimus on tehty tapaustutkimuksena japanilaisesta lentoalan yrityksestä All Nippon Airwaysistä. Tutkimuksen tavoitteen mukaisesti metodologiaksi on valittu laadullinen tutkimus ja tutkimuksessa hyödynnetään abduktiivista päättelyä. Tutkimus perustuu sekundääriseen dataan, joka on valikoitu tarkasti luomaan luotettava ymmärrys yrityksen kestävyystoiminnoista ja institutionaalisesta ympäristöstä. Yrityksen kestävyystoiminnot on analysoitu ja analyysin perusteella luotiin yrityskestävyyden teemat. Sekundääridataa kerättiin useammista lähteistä luomaan kattava kuva virallisista säännöksistä, käytänteistä, normeista, kulttuurisista arvoista ja uskomuksista.

Tämä tutkimuksen löydökset vastaavat aikaisempia tutkimuksia ja osoittavat, että institutionaaliset paineet vaikuttavat yrityksen kestävyystoimintoihin. Tutkimuksen mukaan sekä viralliset että epäviralliset instituutiot vaikuttivat jokaiseen kestävyyden ulottuvuuteen. Erityisesti epäviralliset instituutiot vaikuttivat sosiaaliseen kestävyyteen. Ekonomiseen kestävyyteen institutionaaliset paineet vaikuttivat vähiten, mikä saattaa viitata siihen, että yrityksen sisäiset motivaatiot vaikuttavat enemmän tähän kestävyyden ulottuvuuteen. Epäviralliset instituutiot, jotka vastasivat kestävyyden mukaisia arvoja, tukivat yrityksen kestävyystoimintoja vain virallisten määräysten noudattamista pidemmälle.

AVAINSANAT: corporate sustainability, institutional theory, triple bottom line, formal institution, informal institution

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1 Introduction

1.1 Background of the study

Sustainable development has been an important concept in the last decades. Usually this term refers to the ability of meeting "the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987). As corporations' economic and political power has increased they have also began to have a significant impact on sustainability (Korten, 2001, p. 54–56). This increase in corporations' power has in some cases been detrimental to the welfare of societies and the environment (Benn et al., 2014, p. 7). As a consequence of their power position, large corporations have gained attention in the discussion of sustainability since they are considered responsible for many negative impacts on the societies and the environment.

Increased pressure from non-governmental organizations and consumers for companies to justify their morals has pushed the need for companies to balance ethics and shareholders (Carroll, 1991, p. 39) Thus companies' need for proper sustainability practices has increased academic interest on the topic. Some studies have shown that organizations who consider the impacts of their actions on the environment and on societies may get competitive advantage, improved performance and economic returns (Barnett & Salomon, 2012; Hofmann et al, 2012; Reuter et al., 2010). There already exists a significant amount of research on corporate sustainability (Bansal 2005; Kolk 2016) and institutional theory (DiMaggio & Powell 1983; Meyer & Rowan 1977; Suchman 1995) individually but the intersection of these two topics has been less studied. However, the body of research on this intersection has been growing in the recent years.

Institutional influence on firm's behavior and activities has been explored by many researchers. Meyer and Rowan (1977) argued that in time organizations adopt to the institutional expectations and norms surrounding them. Institutional influence on

organizations was further researched by DiMaggio and Powell (1983). They explored how institutions shape the behavior and outcomes of organizations. Like Meyer and Rowan, they also found that organizations conform to norms and expectations to be viewed appropriate and legitimate.

Drivers and motivations for companies to adopt certain sustainable practices have been studied and the meaning of culture in this context has garnered more interest (Lozano, 2015 ; Miska et al., 2018). Culture's effects have been studied more in the context of corporate social responsibility (CSR) versus corporate sustainability and most of these studies have been done from the consumer perspective, examining consumer perceptions and expectations (Kim & Kim, 2010; Kim, White & Kim, 2019). Even though some studies have acknowledged culture as a stimulus for CSR practices (Kim, White & Kim, 2019; Peng et al., 2014) there is still a lack of research on how exactly culture shapes firms' sustainability activities. Research still lacks knowledge on how both formal and informal institutions influence firms' corporate sustainability practices. A few recent studies have focused on institutional pressures on a firm's certain sustainability practices (Gunarathne & Lee, 2018; Tolmie et al. 2020; Tran & Beddewela, 2020) but there are no studies observing the combined influence of informal and formal institutions on all of a firm's corporate sustainability practices.

The aviation industry brings an interesting context to the study since the industry is directly detrimental to the environment regardless of what corporate sustainability practices airlines choose to participate in. The global aviation industry is solely responsible for 2-3% of global carbon dioxide emissions (European Union Aviation Safety Agency, 2019). The number of flights has increased for many years and EASA (2019) predicts that there will be 42% growth in flights from 2017 to 2040. However, the phenomenon of ethical consumption also keeps rising and consumers want to see companies take action on issues such as sustainability (Accenture, 2018). How can airlines answer to the need of increased sustainability?

Since aviation industry has such significant effects on the environment, they can initiate change by incorporating sustainability practices to their strategy. Institutional environment includes both formal institutions which account for government regulations and laws, and informal institutions which include social values and norms (North, 1990, p. 4). It is important for firms to understand the significance of the institutional environment they operate in to ensure they communicate their CSR initiative effectively and aligned with those institutional factors (Tolmie et al., 2020, p. 787).

Aviation industry provides a great focus of research because it is affected by formal and informal institutions on both a global and national level. The attitudes towards environmental regulation have shifted from forced compliance to proactive strategies (Mirchandani & Ikerd, 2008, p. 43). The beliefs and behaviors around corporate sustainability seem to differ between cultures (Miska et al., 2018, p. 275). Examining the formal and informal institutional effects on an aviation company's corporate sustainability practices from cultural and regulatory viewpoints could offer new knowledge for managers to know how to prioritize their sustainability practices appropriately in the institutional environment they are in.

Sustainability has become a significant matter of concern in the modern society and companies are now expected to adopt the "right" sustainability practices (Caprar & Neville, 2012). Since the aviation industry has had such significant negative effects on the environment airlines are under particular pressure to limit the harm they are causing to the environment (Hagmann et al., 2015). Actively participating in environmentally sustainable activities gives firms in the aviation industry a better opportunity to create a positive image (Han et al., 2019, p. 380). Hence, many airlines are adopting sustainability practices. Research shows that it is crucial for airline companies' long-term profit generation to focus on corporate sustainability practices so that they can attract loyal customers from the growing mass of eco-concious consumers (Han et al., 2019; Yang & Baasandorj, 2017). Exploring the formal and informal institutional effects on firm's sustainability practices can bring up important perceptions which may help managers focus and

prioritize their sustainability initiatives better. An explorative study on this topic and the findings of this study can add important information to the limited amount on research in the topic and find new perspectives for future research.

1.2 Purpose of the study and delimitations

The purpose of this research is to explore the formal and informal institutional effects on aviation company's corporate sustainability in Japan. Understanding this phenomenon can help other academics further study this relatively new topic and it can help managers understand which factors influence how sustainability activities are determined and shaped.

To provide some clarity and direction for the research, three separate research objectives are set. The objectives set clearer steps for answering the main purpose. The objectives for this study are as follows:

1. Identify what sustainability is in a corporate context and why companies choose to engage in certain aspects of corporate sustainability
2. Identify the elements of institutional theory and the role of formal and informal institutions in sustainability practices
3. Identify how institutional influence affects the corporate sustainability of a Japanese air transport corporation All Nippon Airways Group

This research is going to be made from organizational perspective so culture's effects on consumers' sustainability expectations are not going to be a target of study. Institutional environment is solely examined based on its effects at organizational level and not individual level. It is also important to consider that the findings of this research do not take into account other factors, such as equity market size and balance of trade, which might affect a firm's willingness to engage in sustainability practices (Ioannou & Serafeim, 2012).

To examine sustainability in the context of business, Elkington's (1999) concept of triple bottom line (TBL) is going to be used. Elkington's (1999) framework provides a comprehensive approach to evaluating a firm's environmental, social, and economic sustainability practices. While there may be other frameworks and theories that could also be applied for this research, the triple bottom line has gained widespread acceptance and adoption by businesses, academics, and policymakers. Therefore, this thesis will focus on using Elkington's triple bottom line to understand firm's corporate sustainability practices.

This study is going to understand the institutional environment based on North's (1990) work. North (1990) categorizes institutions into formal and informal institutions. Formal institutions create stability within a business environment through regulation whereas informal institutions enforce societal norms and cultural values (North, 1990, p. 83). Governmental regulations, legislations, and enforcements are considered formal institutions whereas norms, values, beliefs and culture are considered informal. North's categorization of institutional influences will be used in this study because it provides a clear distinction between regulative and normative aspects. This provides a holistic understanding of one's institutional environment.

2 Review on corporate sustainability and institutional influence

In this chapter first corporate sustainability and sustainability practices are going to be discussed. Next the concept of institutions and institutional influence on firms is introduced. Finally, the relationship of institutional influence and sustainability practices is going to be reviewed and summarized.

2.1 Corporate sustainability

The World Commission on Environment and Development's report *Our Common Future* (1987), also called the "Bruntland Report" was a defining point in the discussion on sustainability. In this report, the concept of sustainable development was introduced and most influentially defined as development that meets the current needs of the world without sacrificing future generations' opportunities to fulfil their needs (p. 43). Most definitions of sustainability given since focus on this main idea of sustaining resources for the future. Elkington (1999, s.20) describes sustainability as using economic, social, and environmental resources in a way that doesn't compromise the future use of those resources for the prosperity of today.

Sustainability has become an increasingly important topic in research literature. Globalization has amplified the rise of corporate influence worldwide and as a result, corporations are now having an impact on more than just the markets and economy (Korten, 2001, s.60). As corporations have had a significant impact on the sustainability issues of today, they have to also be part of solving these issues (Benn et al., 2014, p. 4). Leveraging corporate sustainability, companies can support the sustainable development of the whole society (Epstein et. al., 2014, p.23). Benn et al. (2014) describe corporations as "instruments of social purpose, formed within society to accomplish useful social objectives" (p. 5), which demonstrates the responsibility corporations have to the society

and environment they operate in. Sustainable markets vital for businesses to function, so corporations should have an interest in supporting long-term economic, environmental, and social well-being of the areas they operate in (Elkington, 1999, p.20). The more global a scale a corporation has the more concerns and consequences related to sustainability they must address (Hawkins, 2006, p.2). As a result of grown corporate power and responsibilities, companies of all sizes are now facing pressures to address the influence they have on sustainability issues (Benn et al., 2014, p. 7).

In the field of business studies, corporate sustainability and corporate social responsibility (CSR) are often used to discuss similar topics since both of these examine how businesses and society interact (Bansal & Song, 2017). In their work, Bansal and Song (2017) encourage the use of CSR and corporate sustainability as separate terms with their own distinctions. The authors note, that the traditional view on CSR focuses on social aspects while traditional views on corporate sustainability solely focus on environmental aspects. Similarly to Bansal and Song (2017), van Marrewijk (2003) also encourages the separation of CSR and corporate sustainability as terms. Sustainability as a term in the context of businesses and business literature was first used to discuss issues with nature and eco-systems and only later the meaning expanded to refer to the social concerns of sustainability as well (Crane et al., 2008, p.37). Sheehy and Farneti (2021) view CSR as company's voluntary activity to improve its social and environmental impact whereas they view corporate sustainability to be more motivated by regulations.

Those critical of corporate sustainability think that corporations' sustainability initiatives are only motivated by the public's perception of the corporation and the potential for competitive advantage through a better image (Crane et al., 2008, s.181). This leads to insincere and superficial corporate sustainability that isn't backed by sustainable ideologies and attitudes within the corporation. Superficial corporate sustainability where initiatives are largely publicized but not truly addressed with concrete solutions and results is often referred to as greenwashing (Kopnina & Blewitt, 2015, s.10). Companies use greenwashing to create short-term profits and improve their image by publicizing false

sustainability claims without actual structural changes to their operations (Nemes et. al., 2022).

United Nations Global Compact (2015), which is an initiative that encourages firms to implement sustainability into their corporate strategy, defines corporate sustainability as "company's delivery of long-term value in financial, environmental, social and ethical terms". Schneider & Meins (2012, p. 220) view corporate sustainability as a way for companies to include economic, environmental, and social considerations in their business strategy. Dyllick & Hockerts (2002, p. 131) define corporate sustainability as the ability to answer the current needs of the firm and its stakeholders without risking the ability to answer those needs in the future. In this research, corporate sustainability is acknowledged as an approach for companies to ensure long-term operations by considering economic, environmental, and social sustainability aspects and consequences of the business.

For further use, the term corporate sustainability will be specifically chosen. For this research, it is important to be able to reflect corporate sustainability to the sustainability policies, norms and targets of the institutions of the corporate environment. CSR as a term is directly linked to corporations and there is no equivalent term to CSR that is commonly used for governments and other international organizations.

2.1.1 Triple bottom line

One of the most significant frameworks used in corporate sustainability research is the triple bottom line (TBL). Triple bottom line as a term was first introduced by John Elkington (1999) to encourage corporations to broaden their focus from just economic considerations to also include social and environmental aspects. This framework can be used to examine firms' sustainability strategies, practices and performance. According to Elkington (1999), firms can create value on all three levels of sustainability without

sacrificing one. He argues that corporations can participate in social and environmental sustainability initiatives without compromising economic growth and performance.

Typically, social and environmental dimensions are viewed as inherent to sustainability, but the economic dimension is often viewed separately. Corporate sustainability isn't only about protecting the environment and supporting society's development but also about economic growth (Hawkins, 2006, p.151). The concept of TBL divides sustainability into three main categories: economic, environmental, and social (Crane & Matten, 2010, p.34-36). In some corporate sustainability literature, these categories are also referred to as people, planet, and profit (Wilson, 2015). Elkington (1999) also discusses the three bottom lines as economic, natural and social capital. The economic bottom line refers to a corporation's ability to create sustainable economic growth by focusing on competitive costs, sustainable profits, adaptability to changing demands, and keeping up with the degree of innovation (Elkington, 1999, p.74–75). The environmental bottom line considers which natural resources are affected by the corporation's operations, how significantly these resources are affected and how the corporation can support the ecosystem's capacity to sustain pressures (Elkington, 1999, p.79–80). The social bottom line measures the corporation's efforts to support societal well-being through investments in education and health, ensuring safety and inclusion, wealth-creation potential, establishing trust between stakeholders and the local communities (Elkington, 1999, p.84-88).

Elkington (1999, p. 38) suggests that economic sustainability is essential to achieving broader sustainability goals because society is dependent on an economy that works and economic sustainability makes it possible for companies to use their resources to achieve environmental and social sustainability as well. The economic dimension of sustainability signifies the corporation's capacity to create competitive advantage and profitability in the long run (Wilson, 2015, p. 435-436). The economic dimension of sustainability refers to the corporation's ability to provide long-term economic value and ensure performance without compromising the social and environmental resources it relies on (Crane & Matten, 2010, p.35). This requires a shift away from short-term profit maximization

and toward a more long-term and sustainable approach to business operations. By implementing sustainability practices, corporations can achieve increased efficiency, reduced costs, and higher levels of trust from stakeholders, all of which contribute to long-term economic success (Elkington 1999).

Bansal and Roth (2000) argue that with the integration of environmental considerations into their operations, firms can generate economic outcomes that contribute positively to the firm's economic sustainability. By doing so, firms can reduce risks associated with environmental issues and create opportunities for innovation and cost savings (Elkington, 1999). Addressing economic sustainability concerns can yield benefits for both the firm and society, such as enhanced social welfare and environmental quality (Bansal & Roth, 2000; Crane & Matten, 2010, p.35). According to KPMG's survey (2017) on over 4000 companies, the most common drivers for corporate sustainability initiatives were cost savings, brand reputation, and risk management, all of which have implications on economic sustainability.

The social dimension of TBL is focuses on the impact a firm has on the human well-being and social welfare, including matters related to human rights, labor practices, community development, and stakeholder engagement (Elkington, 1999, p.87-88). Corporation's social sustainability initiatives are particularly important because firms have a responsibility to respect and support the basic human rights of their employees, customers, suppliers, and other stakeholders (Carroll, 1991). Research shows that firms who invest in supporting social practices have higher levels of employee productivity, customer loyalty, and stakeholder trust, which are all factors that can ultimately lead to increased profitability and long-term success (Mandhachitara & Poolthong 2011; Sarfraz et. al., 2018). Social sustainability is increasingly important for firms operating in global markets, where issues such as human rights issues and labor exploitation in different levels of operations can lead to a damaged reputation and even to legal consequences (Crane et al., 2008, p.90-91). Thus, firms must be aware and manage their social impacts and

engage with stakeholders to ensure that their operations align with societal expectations and contribute to social welfare.

Historically, corporate sustainability research has highlighted the importance of the environmental dimension of the triple bottom line. This dimension represents the natural resources and ecosystems businesses simultaneously depend on and have an impact on (Elkington, 1999, p.79). Environmental sustainability considerations include efficient resource and energy use, reduced waste and emission and protecting biodiversity (Wilson 2015, p. 434). Elkington (1999, p. 82) thinks that corporate environmental sustainability evaluation shouldn't rely on companies' management tactics but should instead look at the concrete environmental impacts the company has.

2.1.2 Motives for sustainable practices

Without any benefits of implementing sustainability in their operations, firms most likely would not contribute to creating a sustainable environment in all the aspects of the triple bottom line. One of the main motives for firms to incorporate sustainable practices is the pressure and expectations from stakeholders to act in a socially and environmentally responsible way (Sweeney & Coughlan, 2008). These stakeholders include for instance customers, investors, and regulators. Pressures from stakeholders are particularly impactful as sustainability motives in industries that have a strong environmental impact (Sweeney & Coughlan, 2008, p. 120). Governments and other regulatory bodies have introduced a variety of laws and standards on environmental and social concerns which businesses must abide by to avoid legal and reputational risks (Lozano, 2015, p. 35). Firms may also recognize that environmental and social risks can pose significant threats to their operations, and thus take measures to mitigate these risks through sustainability practices (Esty & Winston, 2006, p.3).

Another common motive for implementing sustainability practices is the potential for cost savings and efficiency improvements (Epstein & Roy, 2001; Porter & van der Linde,

1995). Energy efficiency, for instance, can reduce energy consumption and costs, while waste reduction initiatives can reduce disposal costs and generate new revenue streams through waste recycling (Epstein & Roy, 2001, p. 598; Porter & van der Linde, 1995, p. 101). Studies suggest, that sustainability practices can enhance brand image and reputation of firms (Bansal, 2005; Burke & Logsdon, 1996). Firms can leverage proactive sustainability practices to gain a competitive advantage (Porter & van der Linde, 1995, p. 114). Moreover, sustainability practices can lead to increased customer loyalty and enhanced reputation, which can translate into increased sales and profitability (Mandhachitara & Poolthong 2011).

The personal values and beliefs of executives or employees can drive the adoption of corporate sustainability practices (Hirigoyen & Poulain-Rehm, 2014). Some firms may view sustainability practices as contributing to society and the environment, aligning with their internal values and mission, and integrating sustainability practices to fulfill their responsibilities (Garriga & Melé 2013). Similarly, values of the cultural environment can also act as motives for sustainable practices and influence how companies adapt sustainability into their operations (Tata & Prasad, 2015).

2.2 Institutional environment

Institutional theory is a sociological perspective that examines the ways institutions influence organizational behavior and practices (North, 1990). Institutional theory has been widely used to explore how the institutional environment firms operate in influences the firm's behavior. Institutional theory assumes that firms operate in an environment where institutions affect how firms can and should act (North 1990). Meyer and Rowan (1977) introduced the concept of institutionalism in an organizational context. Their paper argues that organizations become institutionalized by conforming to established institutional structures and practices. Friedland and Alford (1991, p.232) describe institutions as supraorganizational patterns for human activity that influence and constrain the behavior of organizations. North's (1990) description of institutions as "the

rules of the game" (p. 3) is broadly used in institutional research from a corporate perspective. Discussing institutional influence, Meyer and Rowan (1977) stated institutional rules to "function as myths which organizations incorporate, gaining legitimacy, resource stability and enhanced survival prospective" (s. 340).

In the corporate world, institutions lower uncertainty by stabilizing social behavior (Scott, 1995, p. 33). They create guidelines for appropriate actions in specific contexts so firms know better what they can and should do (Meyer & Rowan, 1977, p. 340). However, institutions can also have a negative effect for firms. DiMaggio and Powell (1983, p. 157) note that when institutional pressures push firms to become more alike, this can lead to limited innovation. To gain legitimacy and social approval, firms integrate elements from their surrounding institutional environment into their operations (Oliver, 1997, p. 700). Conforming to the rules and pressures set by the institutional environment may even be crucial for firms' performance (Zucker, 1987, p. 47). Organizations can face different institutional pressures specific to a country or globally and sometimes the pressures from different contexts conflict (Moore et al., p. 151).

DiMaggio and Powell (1983) called organizations' tendency to adopt similar structures and practices institutional isomorphism. The authors also divided institutional isomorphism into three different pressures and defined them; coercive isomorphism is caused by persuasive or even mandating authoritative pressures; mimetic pressures stem from modeling the behavior of other organizations in the same geographical or industrial area; and normative pressures arise from norms and expectations that are seen as the correct and accepted way to operate. Similarly, Scott (1995) considers institutions as three pillars: regulative, normative, and cognitive. The regulative pillar corresponds to coercive pressures, the normative pillar corresponds to normative pressures and the cognitive pillar corresponds to mimetic pressures (Scott, 1995, p. 35).

Scott's "three pillars of institutions" influence organizations in different ways. The regulative pillar consists of formal rules, laws, and regulations that constrain behavior, create

boundaries and define rules by using coercive measures to ensure compliance (Scott, 1995, p. 35). The normative pillar constrains and enables appropriate social interactions by enforcing both values and norms within a society or organization (Scott, 1995, p. 38). The cognitive pillar of Scott's (1995) framework includes meanings, symbols, traditions and culture. According to Scott, these cognitive institutions shape how individuals perceive the world and create a social identity. Cognitive institutions are learned from social surroundings and sustained by a mimetic pressure to imitate and replicate actions that are perceived appropriate (Scott, 1995, p. 47). Scott's three institutional pillars demonstrate well how institutional pressures can influence organizations.

Institutional theory assumes that firms operate in an environment where institutions influence the opportunities and expectations of firms. In his work, North (1990) categorizes institutional pressures and constraints as either formal and informal. The author refers to formal pressures as direct written rules and laws and to informal pressures as the underlying social structures that create norms and traditions (North, 1990, p. 46). Formal pressures derive from regulative institutions whereas informal pressures derive from normative and cognitive institutions. Formal institutions enforce rules and laws whereas informal institutions enforce societal expectations (North 1990, p.46). Governmental regulations, legislations and enforcements are formal institutions whereas norms, values, beliefs and culture are considered to be informal institutions.

Formal institutions refer to the written rules, laws, regulations, and policies that are established by the government and other governing bodies to stabilize the behavior of individuals and organizations in a society (North, 1990, p. 47–48). As formal institutions are often created and enforced by governmental organizations, they are seen as having greater authority than informal institutions but North (1990, p. 36) emphasizes that it is usually informal institutions that influence everyday activity. Firms in countries with similar formal institutional pressures might experience very different outcomes and this can be explained by the significance on informal institutions (North, 1990, p.36).

2.2.1 Strategic approach to institutional pressures

Oliver (1991) introduced an influential framework for strategic approaches to institutional pressures. In her paper she states that organizations can have strategic responses to the institutional pressures they face and can respond in different ways to isomorphism. The author identifies five different strategic approaches: acquiescence, compromise, avoidance, defiance, and manipulation. The acquiesce strategy involves companies adhering to rules and expectations without further questioning. These companies conform to their institutional environment because it provides legitimacy and it is often used by firms that are heavily regulated, as they have little choice but to comply with legal requirements (Oliver, 1991, p. 153). Compromising response to institutional pressures is similar to acquiescence. These companies are ready to comply with institutional pressures but unlike acquiescence, they only conform partially and more actively advocate for their own interests (Oliver, 1991, p.154). Oliver (1991) notes that the companies using this strategy might be facing conflicting demands which they try to balance. For instance, some part of a company's production might be deemed as harmful but instead of appeasing the pressure to stop the harmful activity completely, a company might continue production normally while simultaneously investing in the development of a new process that will improve the part of production that is harmful.

Unlike acquiescence and compromise strategy which companies apply to conform at minimum partially to institutional pressures, the purpose of avoidance is to prevent situations that will eventually lead to conformity (Oliver, 1991, p. 156). According to Oliver (1991, p. 154–155), companies can practice avoidance by either temporarily concealing their real actions that aren't in line with the institutional pressures or by reducing the need for external inspections and assessments completely by changing location or by terminating activity that would demand external inspection. The difference between acquiescence and avoidance lies in the authenticity of the confirming appearance.

Oliver (1991) describes defiance and manipulation as both demonstrating active resistance against institutional pressures. Defiance is more common in situations where there is a severe conflict between institutional expectations and the organization's objectives and the enforcement of institutional pressures isn't very intense (Oliver, 1991, p. 156). Organizations choosing defiance actively challenge and reject institutional expectations. Manipulation is the most active form of resistance. Oliver (1991, p. 157) notes that the purpose of manipulation is to influence and control policies, regulative bodies and norms. Organizations use manipulation to opportunistically mould institutional pressures (Oliver, 1991, p. 159).

2.3 Institutional influence on corporate sustainability

The institutional environment influences firms through institutional pressures. Institutional pressures can be viewed as the social, legal, and cultural constraints that influence a firm's strategic actions (Menguc et al. 2010, p. 285). Both formal and informal institutions influence corporations' policies and guide the attitude and implementation of corporate responsibility (Matten & Moon 2008). In the context of corporate sustainability, the institutional environment includes the regulatory organisations, industry associations, societal norms, and cultural values that shape a firm's sustainability practices. The formal and informal institutional pressures affecting corporate sustainability are discussed next as regulatory influences and as societal and cultural influences.

2.3.1 Regulatory influence

Formal institutions can influence firms' corporate sustainability through regulative pressures. Conforming to institutional pressures such as regulations and industry policies increases legitimacy (Suchman, 1995). This can motivate firms to adopt and implement sustainability practices to maintain legitimacy within their institutional environment. Regulatory and legislative influences have been identified as key drivers of corporate

sustainability practices (Bansal & Roth, 2000; Bansal, 2005). For instance, regulations on carbon emissions, waste management, and energy efficiency have incentivized firms to invest in sustainable technologies and practices (Bansal & Roth, 2000, p. 204). Industry policies also play a significant role in shaping corporate sustainability practices. Industry policies introduce sustainability standards and best practices that members are expected to follow (Bu & Liu, 2022, p. 4).

Ioannou and Serafeim (2019) found regulations on corporate sustainability reporting to encourage companies to improve the transparency of reporting even more by voluntarily seeking external assurance. Regulative pressures on non-financial disclosure are increasingly more enforced as governments have realized that voluntary disclosure isn't efficient enough (Aureli et al., 2020). Although some companies might be resistant to enforced regulations, environmental regulation has a positive effect on green innovation (Zhou, 2023). Hörisch et al. (2017) found that international authorities have am important role in setting legalities that support global sustainability practices. This demonstrates how important it is for all governmental bodies to use regulations for sustainable development.

2.3.2 Cultural and societal influence

Particularly cultural norms and values can significantly impact firms' sustainability practices. The basis of institutional theory is that the values of a society can shape a firm's decisions. Social norms and cultural expectations are found to have a significant impact of firms' corporate sustainability (Tran & Beddewela, 2020, p. 293). Even in environments where regulative authority is strong informal institutions are found to have a significant impact on corporations' responsibility practices (Tolmie et al, 2020, p. 796)

Most studies on informal institutional pressures have used Hofstede's cultural dimensions to understand cultural influence on corporate sustainability. Overall Hofstede's six cultural dimensions have been extensively used in business research. The dimensions

are divided into power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence. Tran and Beddewela (2020, p. 293) found that companies operating in countries that have a lower score in masculinity and higher score in uncertainty avoidance are more likely to implement corporate sustainability into their operations. Higher scores in long term orientation influence companies to implement practices on all three dimensions of corporate sustainability more proactively (Lee & Herold, 2016, p. 12). Lee and Herold (2016) also argued that high collectivism leads companies to practice more corporate sustainability.

Miska et al. (2018) used GLOBE framework to examine cultural influence on economic, social and environmental corporate sustainability. GLOBE is a cultural framework for organizational behavior that includes nine dimensions: performance orientation, assertiveness, future orientation, humane orientation, institutional collectivism, in-group collectivism, gender egalitarianism, power distance and uncertainty avoidance (House et al. 2004). Miska et al. (2018, p. 276) found high levels of future orientation, gender egalitarianism, uncertainty avoidance and power distance to positively impact the implementation of corporate sustainability but performance orientation was found to have negative impacts.

Societal norms and standards have also been found to influence corporate sustainability practices. Gunarathne and Lee (2018) found normative pressures to have a significant effect on company's environmental management practices. Corporations are more likely to adopt responsible practices in an environment where norms and societal values support responsible behavior (Galaskiewicz, 1991). Firms are increasingly expected to address social and environmental issues, such as climate change, human rights, and inequality (Delmas & Burbano, 2011, p. 71–72). Stakeholders, including customers, investors, and NGOs, can put pressure on firms to improve their sustainability performance and disclose their sustainability practices (Delmas & Burbano, p.71). These pressures can become norms that companies are expected to follow. As a result, firms that fail to follow

these norms may face reputational damage, legal liabilities, and financial risks (Delmas & Burbano, 2011, p. 73–74).

2.4 Theoretical framework

This chapter presents a theoretical framework for the study. The theoretical framework (See Figure 1) integrates the TBL and institutional pressures in the context of sustainability practices to examine the institutional influence on corporate sustainability practices. Corporate sustainability has become a critical issue for businesses due to growing concerns over environmental and social impacts of their operations. The concept of corporate sustainability emphasizes the importance of the triple bottom line (TBL), which includes economic, social, and environmental dimensions. Furthermore, institutional pressures have been found to be important factors that influence firms' sustainability practices.

The theoretical framework includes North's (1990) formal and informal institutional pressures that have influence on firm's operations. For the purpose of this thesis, operational influences are going to be examined through corporate sustainability perspective. All of the pressures are going to be studied on a country-level, industry-level, and global level. The corporate sustainability of the firm will be examined based on the framework of the triple bottom line by Elkington (1999). This enables a holistic understanding on corporate sustainability as the framework consider economic, social and environmental dimensions of sustainability.

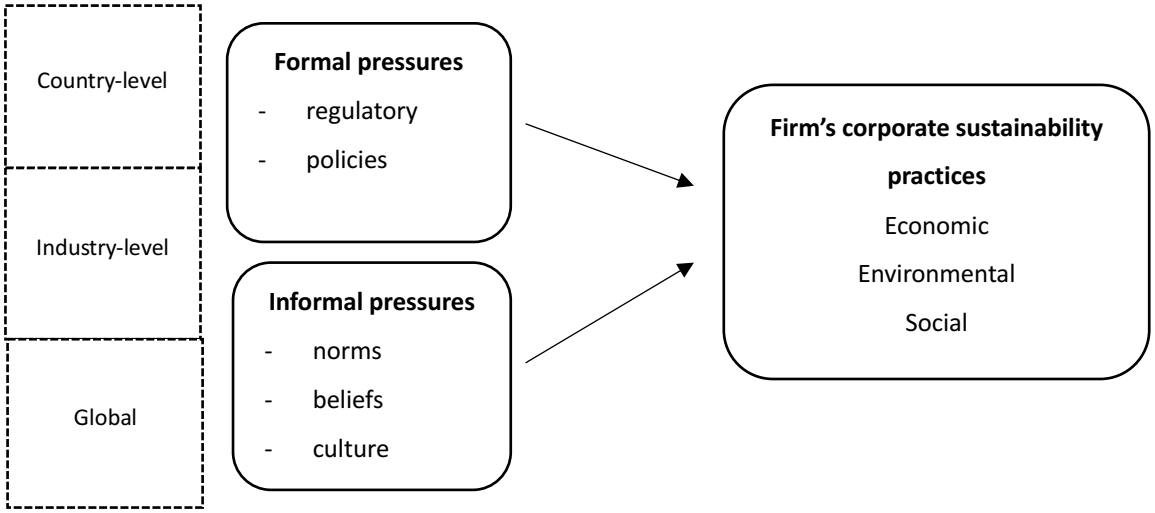

Figure 1 Research framework for institutional pressures on firm's corporate sustainability practices

3 Methodology

This chapter presents the methodology used in this thesis to investigate the institutional influence on corporate sustainability, with a specific focus on the case company, All Nippon Airways (ANA). The chapter provides a comprehensive overview of the research design, data collection methods, case selection and quality of the research.

3.1 Research design

The purpose of this research is both explorative and explanatory. There isn't extensive research on the topic of institutional influence on corporate sustainability which is why this thesis will mainly be explorative. Exploratory research helps build an understanding of a phenomenon by giving new perspectives on topics and answering the question of "what is happening" (Saunders et al. 2007, p. 133). New insights about the institutional influence on corporate sustainability would benefit the limited ground of research on the topic and offer new perspectives for future research. This thesis is also explanatory in nature as it tries to show the causal relationship of the themes of institutions and corporate sustainability (Saunders et al. 2007, p. 133).

Qualitative research refers to non-numeric research that tries to understand meanings expressed by words (Saunders et al. 2007, p. 480). This research tries to understand both the written and unwritten rules influencing a company by analysing the meanings and influences behind corporate sustainability practices. Qualitative research fits the purpose of this research. This research uses an abductive approach as it best fits the explorative nature of the thesis. Abduction is a combination of inductive and deductive approaches so it offers a flexible approach to the thesis by having a theoretical framework that will be modified as empirical data offers new insights (Eriksson & Kovalainen 2008, p. 23). Qualitative research as a research design is also good for this purpose because it allows changes and surprises to emerge during the research process (Eriksson & Kovalainen 2008, p. 26).

The qualitative research will be done as a case study. Case studies are widely used because they help present complex concepts in a more accessible and easily understandable way (Eriksson & Kovalainen 2008, p. 116). By studying the case company more concrete and comprehensive insights can be introduced. This case study will only include one case company and the thesis aims to gain a deep understanding of the topic from the case company's specific institutional perspective. A case study was chosen for this thesis because it fits the purpose of exploratory and explanatory research by helping understand why, what and how something happens (Saunders et al. 2007, p. 139).

3.2 Data collection

Choosing what type of data is going to be used and how it is going to be gathered is an important part of research design (Eriksson & Kovalainen 2008, p. 29). This research is going to be based on secondary data which is defined as pre-existing data that has been gathered by someone other than the researcher (Eriksson & Kovalainen 2008, p.77). The material used for this thesis will be textual, including company reports, company websites, governmental regulations, industry publications, governmental websites and academic publications. These materials will provide valuable insights into case company's corporate sustainability and institutional environment.

3.2.1 Case-selection process

When deciding on the case company for this thesis the characteristics that were sought were differentiating cultural environment and influence of both national and international regulations and organizations. Aviation industry presents specific sustainability challenges and is influenced by regulations on both national and international level. Japan provides a specific cultural environment as it is considered an Asian culture but it clearly culturally differentiates from its neighboring countries (Hofstede Insights). All

Nippon Airways (ANA) Group was chosen as the case company because it has participated in many sustainability initiatives and it has a wide range of reports and information on its sustainability practices.

All Nippon Airways Group operates in a multifaceted institutional environment characterized by regulatory organizations, industry associations, customers, and shareholders, as well as societal and cultural norms. This research seeks to explore how these institutions influence ANA's approach to corporate sustainability, providing valuable insights into the dynamics between the company and its institutional environment. By exploring the relationship between ANA and its institutional context, this research aims to shed light on how institutional factors shape corporate sustainability practices within the airline industry and, specifically, within the ANA Group.

3.2.2 Secondary data

Saunders et al. (2007) suggest presenting the use of secondary data transparently. Being aware of how and by whom secondary data has been collected is important to evaluate the reliability of the data because biases can influence data collection (Saunders et al., 2007, p. 267). Saunders et al. (2007, p. 248) divide types of secondary data into documentary data that consists of written and non-written material, survey-based data which is gathered through different types of surveys and lastly, multiple source data which combines different data to form a new data set.

Secondary data used in this study is mainly documentary. Documentary data is often used in case studies where organization-specific information is needed (Saunders et al., 2007, p. 249). Case company’s corporate sustainability practices are analyzed from written material on company websites and mainly from the annual report. Annual report nor human resource and environmental data sheets include methodology. To validate the secondary data, external assurance data was sought out. Two separate external assurances were found but both only regard environmental performance and disclosure. Case

companies received the highest score for their environmental performance and environmental disclosure from CDP, a nonprofit specializing in environmental reporting (CDP, n.d.). They also provided another external assurance which evaluated the disclosure of environmental sustainability (ANA Group, 2022). No external assurance for social or economic sustainability was found.

Secondary data used for this study is presented in Table 1. To understand the formal and informal institutional environment better, external secondary data was sought. These data sources include industry associations, international organizations, governmental bodies on both national and global scale, books, and academic journals. To understand the formal and informal institutional influences the type of secondary data used here is documentary and multiple source data. Many industry reports and journal articles use multiple types of data.

Corporate sustainability practices		
Types of secondary data & purpose	**Data source**	**Examples**
Company publications *To understand what corporate sustainability practices the case company is committed to and to what degree*	• Company website and reports	○ Annual report 2023 (ANA, 2023a) ○ Environmental data (ANA, 2023b) ○ Human resource data (ANA, 2023c)
Sustainability assurance websites *To seek external validation for the claims the case company has made in their own reporting*	• Company website • UN Global Compact website • CDP website • Science Based Targets website	○ LRQA assurance statement (ANA, 2022) ○ CDP score (CDP, n.d.) ○ Science Based Targets for case company (Science Based Targets, 2022) ○ Global Compact Communication on Progress 2022 (UN Global Compact, 2022)
Institutional environment		
Government websites & reports *To find national regulations and policies*	• Financial Service Agency of Japan (FSA) • Tokyo Stock Exchange (TSE) • Japan Organization for Employment of the Elderly, Persons with Disabilities and Job seekers • Ministry of the Environment	○ Corporate Governance Code (TSE, 2023; FSA, 2020) ○ Law for Employment Promotion of Persons with Disabilities (JEED, n.d.) ○ Intensive Policy for Gender Equality and the Empowerment of

	• Gender Equality Bureau Cabinet Office	Women 2023 (Gender Equality Bureau Cabinet Office 2023) ○ Environmental Reporting Guidelines (Ministry of the Environment, 2018)
Industry websites & reports *To find industry policies, sustainability targets and norms*	• International Air Transport Association (IATA) • International Civil Aviation Organization (ICAO) • World Economic Forum (WEF)	○ Annual Review 2023 (IATA, 2023) ○ Net zero by 2050 resolution (IATA, 2021) ○ Net Zero Roadmap policy (IATA, n.d.b) ○ Long-Term Aspirational Goal (LTAG) (ICAO, n.d.b) ○ Carbon Offsetting and Reduction Scheme for international Aviation (CORSIA) (ICAO, n.d.a) ○ Clean Skies for Tomorrow Report (WEF, 2021)
International organizations' websites & reports *To understand regulations and norms on a global level and in Japan*	• United Nations • Organization of Economic Cooperation and Development (OECD) • PwC Asia Pacific	○ Global Compact Strategy 2021–2023 (UN Global Compact, 2021) ○ Over the Rainbow? The Road to LGBTI Inclusion Report (OECD, 2020) ○ Sustainability policies and practices in Asia (OECD, 2023) ○ Asia Pacific sustainability reporting report (PwC, 2023)
Academic publications *To understand what values and norms are embedded in Japanese culture and to understand Japanese governance*	• Academic articles • Books	○ Japan's corporate governance transformation: Convergence or reconfiguration? (Renou et al., 2023) ○ Ethical Considerations of Japanese Business Culture (Yamamoto & Lloyd, 2019) ○ Corporate Sustainability Barometer in Japan (Kokubu et al., 2014) ○ Understanding governance in contemporary Japan: Transformation and the regulatory state (Mogaki, 2019) ○ Culture's Consequences (Hofstede, 2001)

Table 1 Secondary data sources & categorization

3.3 Quality of the research

It is important to note the quality of this research regarding reliability and validity. The assumption in qualitative research is that textual data is transparent and can be trusted (Eriksson & Kovalainen 2008, p. 89). However, there might be bias either in how the data

is written or how the researcher interprets it. Companies may try to improve their reputation by strategically highlighting their positive sustainability achievements while not discussing their failures as publicly. Having more third-party reports to analyze would help the problem with limited transparency from the company.

The data for this research is collected from relevant secondary sources so the reliability of this study is dependent on the authenticity of those data sources. However, the data sources were carefully picked and researched to prevent issues with reliability. Since this research focuses only on one case-company in one country, the findings of this research might not be directly reliable to companies in other countries.

4 Findings

In this chapter the findings of content analysis made on the collected secondary data will be discussed. First, the case company and its environment will be introduced. After this the institutional influences found on the case company's corporate sustainability will be discussed based on the previous literature chapter.

4.1 Case company: All Nippon Airways Group

The All Nippon Airways (ANA) Group is a leading air transportation firm based in Japan, recognized as one of the largest airline groups in the country. To differentiate All Nippon Airways Group from the flagship airline brand All Nippon Airways, All Nippon Airways Group will only be referred to as ANA Group. Established in 1952, ANA Group has evolved to operate a diverse range of services to meet the needs of domestic and international travelers (ANA, n.d.-a). In 2022 ANA Group had 40,507 employees and served 4 212 000 passengers internationally and 34 534 000 domestically (ANA, 2023a). In addition to commercial air travel, ANA Group has operations in cargo air transportation, flight catering, aircraft maintenance, vehicle maintenance and, airport ground support (ANA, n.d.-b).

All Nippon Airways, the flagship carrier of the group, serves as the core airline and operates an extensive network of flights covering both domestic destinations within Japan and international routes around the globe. All Nippon Airways in a valued airline and it has received multiple awards on its service and cleanliness. ANA Group has also two other airline brands that with All Nippon Airways cover diverse customer demands. Peach Aviation serves as a lower cost airline for short-range air travel mainly focused on domestic destinations. AirJapan is a fairly new brand that functions as a hybrid airline between All Nippon Airways and Peach. It offers mid-range routes both domestically and internationally with costs between the two other airlines. (ANA, 2023a).

COVID-19 pandemic caused severe difficulties for many businesses but the consequences for air transportation industry was especially severe. Multiple years of travel restrictions caused airlines to lose revenue and fiscal year 2022 was the first profitable year for many air transportation firms. In 2020 ANA Group had an operating income of -464.7 billion yens and net income of -404 .6 billion yens. In 2021 some restriction were lifted so both operative and net income increased but they were still negative. In 2022 ANA Group's operative income was 120 billion yens and net income was 89.5 billion yens. (ANA, n.d.-c)

4.1.1 ANA Group corporate sustainability

Considering ANA Groups diverse channels of business and nearly 40million passengers it flies over to their wanted destinations, it comes as no surprise that they have significant influence on their environment. In 2022 ANA Group's total CO_2 emissions were 9 420 000 tonnes (ANA, 2023b). They also have responsibilities to their 40million employees and to the economy they operate in. To demonstrate the responsibilities ANA Group has on its operating environment, they publish a yearly Environmental, Social and governance report within the annual report. Additionally, they also publish materiality papers and data of their ESG activities.

ANA Group has implemented various corporate sustainability initiatives to minimize its ecological footprint and support its communities while still seeking sustainable economic growth. To get an understanding of the group's active corporate sustainability ininitiatives and practices the Annual Report of 2023 concerning the fiscal year 2022 was used. From the ESG report and other sections of the annual report the group's corporate sustainability activities were designated into the according dimensions of TBL: environmental, social and economic sustainability. For each dimension prominent sustainability themes were identified in Figure 2 and the main corporate sustainability initiatives were sectioned within these themes.

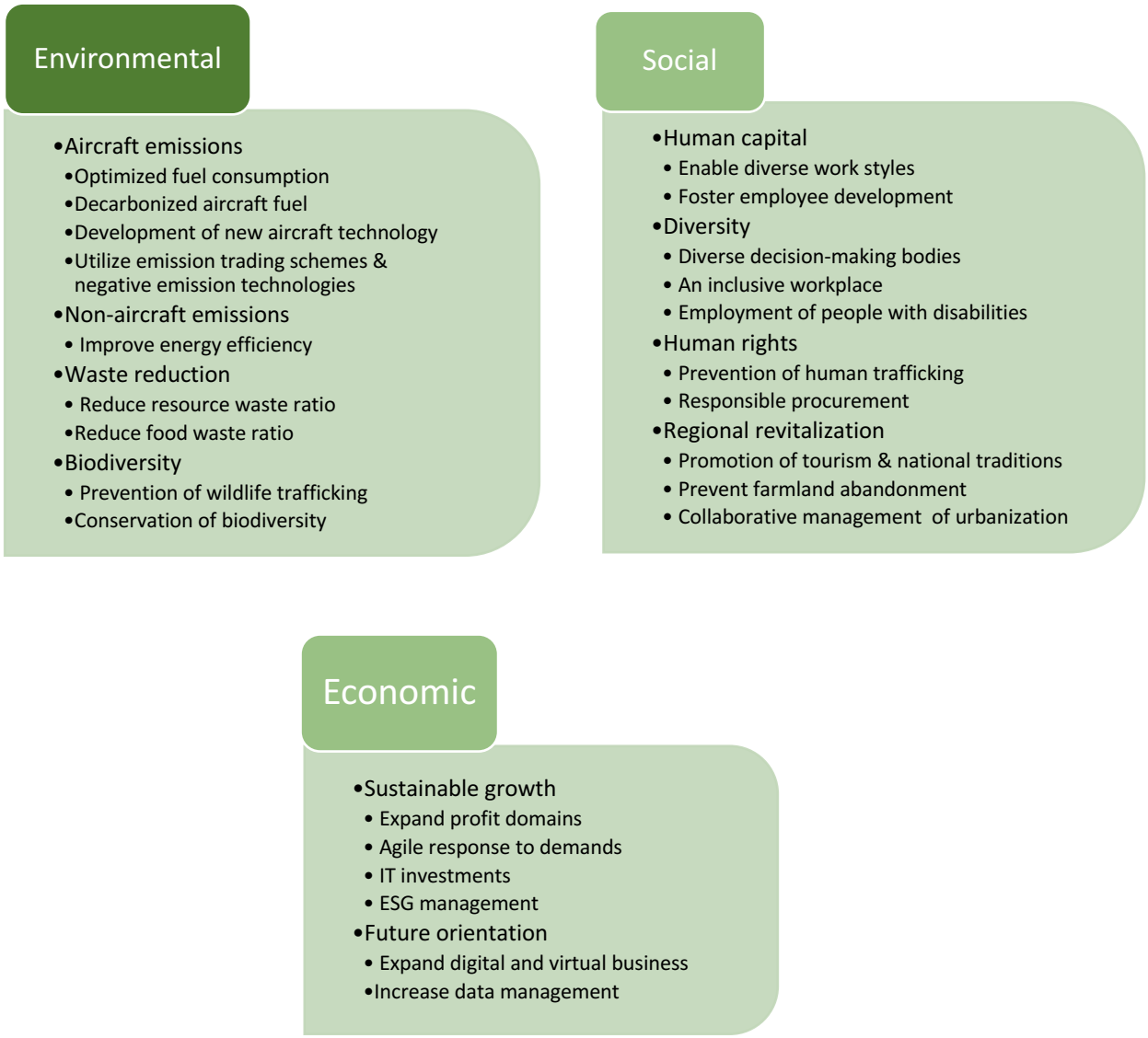

Figure 2 ANA Group corporate sustainability themes & main initiatives

ANA Group discusses all three dimensions of sustainability in their annual report. ANA Group is a company member of United Nation's Global Compact so they have also included respective UN's Sustainable Development Goals (SDGs) to their different initiatives to simplify the understanding of their sustainability goals. in addition to the annual report, ANA Group has a lot of public information about their sustainability values and sustainability management on their company website. They are very transparent with

their sustainability communication. Not only does the company provide sustainability goals and initiatives but they also provide environmental data and human resource data (ANA, 2023b; ANA, 2023c). To demonstrate trustworthiness ANA Group also provides independent third-party assurance statements on their site (ANA, 2022). However, the latest assurance statement is for fiscal year 2021. The group has provided assurance statements for previous years as well so it could be assumed that the assurance statement just isn't completed yet.

The group's main **environmental sustainability** themes that were identified were aircraft emissions, non-aircraft emissions, waste reduction and biodiversity. ANA Group's goals is to reduce their aircraft operation caused emissions through initiatives in fuel consumption optimization, aircraft fuel decarbonizing, development of new aircraft technologies and emission trading schemes as well as negative emission technologies (NETs). To optimize fuel consumption ANA plans to increase fuel-efficient aircraft ratio to 90% by 2030. Route optimization is also an important part of the group's fuel consumption optimization practices. One of the most important initiatives of ANA Group is the use of decarbonized fuel. Sustainable aviation fuel (SAF) is the most crucial part of this initiative. By 2030 ANA plans to replace 10% or more of aircraft fuel with SAF. To ensure SAF procurement before the group can procure it locally ANA Group has made strategic alliances with SAF manufacturers like Finnish Neste and American LanzaJet. To develop new aircraft technology ANA has joined two research projects, one with Airbus and one with Boeing who are both aircraft manufacturers. The main initiatives for aircraft emission reduction are consumption optimization, sustainable aviation fuel and new sustainable technologies but if these inititiatives and connected practices don't enable ANA to achieve their net zero target by 2050 then the group will use emission trading schemes and NETs to cover the rest. ANA has already made a contract for DAC procurement and from 2025 and forwards they plan to purchase carbon dioxide removal credits.

The main inititiative for the reduction of non-aircraft emissions is to improve energy efficiency. ANA Group plans to execute this initiative by replacing old facilities' energy

sources with renewable energy such as solar panels and purchasing of CO2-free energy. Some facilities have already began purchasing CO2-free energy. Energy efficiency is also practiced by replacing old airport vehicles with new electric and fuel cell ones. To reduce waste ANA Group has committed to reducing both resource and food waste ratios. To achieve these goals single-use plastic in-flight meal containers have been replaced with containers made of paper. Other meal containers such as soup bowls have been replaced with reusable ones. ANA also plans to reduce resource waste by recycling plastic film used in its cargo operations. To reduce food waste ANA Group has began monitoring the disposal of in-flight and airport lounge meals to optimize the amount of food. ANA also offers customer the chance to use pre-order services for in-flight meals. In the group's catering operations waste is reduced by composting the food matter that isn't used and then the compost is used to grow vegetables that are served in in- flight meals. The last theme of ANA Group's environmental sustainability is biodiversity.

ANA Group participates in **social sustainability practices** but based on the company websites, reports and news the most emphasized social sustainability practice is local revitalization. The firm has multiple collaborations with different national organizations promoting Japanese culture, helping population decline in rural areas and promoting national and international tourism in Japan. ANA Group also emphasizes the importance of supporting employees' work-life balance to support long-term employment. They have many programs for support in different life situations. Initiatives for this theme are preventative measures for wildlife trafficking and environmental conservation. Even though wildlife trafficking prevention is discussed in multiple company sources, ANA Group's only actual practices to support this initiative are employee training and education. To conserve biodiversity ANA has set up the Farm Project which purpose is conserve abandoned mandarin orange farms and other alike. ANA Group also engages its employees in multiple short- and mid-term environmental conservation projects. (ANA, 2023a)

The main 4 themes in ANA's social sustainability activities are human capital, diversity, human rights and regional revitalization. The most emphasis in the company's report is on regional revitalization but the other ones are important too. To support and engage employees ANA Group wants to enable diverse work styles and job satisfaction with the opportunities for dual employment, sabbatical leave, fewer work days. They also foster employee development through business and service proposal programs like ANA Millionaire Pitch and Da Vinci Camp where all employees can apply and share their ideas. To foster diversity ANA Group has committed to diversifying the group's decision-making bodies. They aim to reach 30% or higher employment ratio for female managers and executives by 2030. Diversity is also fostered through inclusivity. ANA Group has a group policy for respecting the diversity of sexualities and they plan to expand the company's partner system and address discrimination. ANA Group has had a code of conduct for employment of people with disabilities since 2015. The group has a 2.72% employement rate of people with disabilities. Even though the company demonstrates how they have employed people with disabilities for a while now their motivations seem external since in the same section of the annual report it was mentioned that "all group companies achieved legally mandated employment ratio". The main objectives for the company under human rights is the prevention of human trafficking and responsible procurement. The practices for human trafficking prevention are cabin crew training, reporting program for potential cases and collaborative work with the government. Since ANA has a lot of operations and lot of suppliers responsible procurement is a very important sustainability practice for the company. ANA has sessions, surveys and training with the suppliers and employees to create a coherent understanding of responsible procurement. Human rights are important to the company throughout the whole supply chain.

As mentioned previously, regional revitalization is a key part of ANA Group's social sustainability activities. ANA Group's initiative to promote tourism and national traditions is practiced through many channels. ANA has collaborated with the local government of 12 preficatures to promote the traditions and destinations of those areas. Local culture is also represented in the music and food that is served on some of ANA Group's flights.

by promoting domestic tourism ANA can reach its customers but also support the economy and attractiveness of the areas it promotes. ANA has the opportunity to leverage its route networks to attract more inbound tourists. Prevention of farmland abandonment is linked to the company's efforts to conserve biodiversity. Farm Project is a collaboration between ANA, the government and local organizations to operate mandarin orange orchard, support the whole process for conservation to sales and building structures to prevent further farmland abandonment. Urbanization is a big problem in Japan as it is elsewhere too. People are moving away from rural areas to the most populated cities. ANA Group is trying to attract people to move to the rural areas by promoting efficient domestic routes and opportunities in the rural.

Most of the annual report's sustainability discussion focuses on environmental and social sustainability. Economic sustainability as a term is not mentioned but it is implied through terms like "sustainable growth". All of the economic factors that create sustainability for the firm, as in Elkington's triple bottom line, were interpreted here as economic sustainability initiatives. ANA Group's two main **economic sustainability** themes were sustainable growth and future orientation. Future orientation here means the company's willingness to adapt to new and possible societal and economical changes. ANA Group's plans for sustainable economic growth include expanding profit domains, agile response to demands, IT investments and ESG management. To prepare for future further changes the company plans to also expand its digital and virtual businesses and increase data management. Data management is especially important as reporting and disclosure regulations develop. Easier access to data will make it easier for companies to comply with any new regulations.

4.1.2 ANA Group institutional environment

ANA Group's institutional environment is comprised of three levels of institutions: country-level, industry-level and international institutions. Air transportation is a highly regulated and standardized industry so only looking at the home-country institutions is not

enough. To understand how institutional pressures affect ANA Group's sustainability practices, the insititutional environment of the company needs to be defined.

Compliance with regulative institutions is important for companies in Japan because confrontation and conflict is avoided as much as possible (Yamamoto & Lloyd, 2019, p. 116). The main regulatory institutions affecting ANA Group's corporate sustainability practices are the Financial Service Agency of Japan (FSA), Tokyo Stock Exchange (TSE), and Ministry of the Environment. Japan is very proactive in corporate sustainability and was the only country whose companies didn't need significant improvements for the transparent reporting of their emissions (PwC, 2023). Regulatory reforms, like corporate governance, have been influenced by increased globalization and competition (Renou et al., 2023, p. 13). Due to these phenomenon, Japanese firms are now more eager to implement corporate governance.

Japan is a highly collectivist country which means there is a great emphasis on the importance of group harmony, and loyalty (Hofstede, 2001, p.225–229). The good of the group is valued over oneself and corporations are viewed as familial systems (Yamamoto & Lloyd, 2019, p. 116–117). Traditionally Japanese companies have been regarded as "community companies" and have been characterized by lifetime employment and loyalty between the employer and the employee (Culpepper, 2012, p. 103). However, lifetime employment is not as prominent in today's corporate world (Renou et al., 2023, p. 14). In Japanese corporations, the collective culture fosters loyalty and a strong sense of responsibility to peers and stakeholders (Kokubu et al., 2014, p. 122; Yamamoto & Lloyd, 2019, p. 119).

Collaboration is integral to the Japanese corporate culture (Hofstede, 2001, p. 235–240). Corporations in Japan often collaborate through keiretsu networks which connect corporations, stakeholders and even the government (Crane & Matten, 2010, p.27). Because of the cultural group-orientation communities influence Japanese corporations more than others. Kokubu et al. (2014, p. 121) found that external stakeholders such as

consumers and industry associations had a bigger impact on Japanese companies' sustainability practices compared to other countries. Japan scores relatively high on Hofstede's dimension of uncertainty avoidance, indicating a preference for stability, structure, and adherence to rules and traditions (Hofstede, 2001, p. 147). Uncertainty avoidance is reflected in the tendency to conform to norms to avoid risks (Hofstede, 2001, p. 159–161). In terms of power distance, Japanese corporations often exhibit a hierarchical structure, with clear lines of authority and decision-making concentrated at the top (Hofstede Insights n.d.).

4.2 Institutional influence on ANA's corporate sustainability

Operating in the airline industry, ANA faces a unique set of challenges and opportunities influenced by a diverse array of institutions. In ANA's case, the institutional environment encompasses a wide range of stakeholders, including regulatory bodies, government agencies, industry organization, customers, shareholders, and communities. In recent years, the institutional environment has witnessed a growing emphasis on corporate sustainability and responsible business practices. Stakeholders, including customers, investors, and communities, are increasingly concerned about environmental conservation, social responsibility, and ethical conduct (Kolk, 2016). As a result, ANA has to navigate and respond to institutional pressures related to sustainable business practices, carbon footprint reduction, community revitalization and manage sustainable growth.

4.2.1 Formal institutions

Regulatory bodies directly influence ANA's sustainability practices are Japanese legislations. However, laws such as environmental law and labour laws set a low standard for environmental and social practices which ANA surpasses. International laws also affect ANA. More influential regulatory pressures for ANA group's sustainability practices are **diversity mandates** and reporting mandates. Japanese law mandates companies to

employ a certain percentage of employees with disabilities. ANA has employed people with disabilities according to the law but the percentage of employees with disabilities is not significantly higher than the mandate. The governmental law mandates an employment ratio of 2.3% (JEED n.d) and ANA's employment percentage is 2.72% (ANA, 2023a). Future diversity regulations are coming from Tokyo Stock Exchange and the Japanese government to achieve a 30% female board member ratio for listed companies (Bloomberg, 2023). **Reporting pressures** are present on both country-level and industry level. Non-financial reporting regulations support ANA's economic sustainability practice of improved ESG management through reporting. Reporting by the TCFD framework became mandatory in Japan in 2023 (EY, 2023). On the industry-level under ICAO's Carbon Offsetting and Reduction Scheme (CORSIA) companies with CO2 emissions over 10 000 tonnes are required to report their emissions and get third-party verifications (IATA, n.d.a).

The Civil Aviation Bureau in Japan and **international regulatory organizations** like the International Civil Aviation Organization (ICAO) and International Aviation Transport Agency (IATA), play a crucial role in shaping industry policies for ANA. They establish rules governing safety standards, security protocols, and environmental requirements that airlines must comply with. Compliance with all these policies is not mandatory but highly enforced . Additionally, industry associations and trade unions influence the institutional environment in which ANA operates. Associations like the International Air Transport Association (IATA) plays a significant role in shaping industry-wide standards, promoting collaboration among airlines, and addressing common challenges faced by the sector. Country- and industry-level institutional pressures influence ANA through different policies on environment, equality, biodiversity, reporting. The influence of UN Global Compact is clear in ANA's sustainability reporting as it uses the UN's policies and guidelines for its own reporting.

ANA Group is active in following **industry associations** and its corporate sustainability practices are influenced by the formal institutional environment. ANA is trying to

balance gendered positions in their firm as women are under-represented in technical positions. They are aiming to increase the number of female employees in those under-represented areas by 25% compared to 2019 by the end of 2025. These targets are based on IATA's 25BY2025 initiative and the purpose of the campaign is to increase the amount of women in technical positions in the aviation industry (IATA, 2023).

At COP26 in 2021 Japan pledged to achieve carbon neutrality by 2050 (METI, n.d.). ANA is following this same goal according to their reports. However, by 2030 Japan is trying to reduce carbon emissions by 46% but ANA reports the goal of 30% reduction in emissions. Originally Japan committed to reduce emissions by 26% by 2030 in 2015 Paris Agreement on Climate Change but the goal was deemed too low and after criticism Japan stated that it will try to achieve a 46% reduction in carbon emissions by 2030 (Arima, 2021). ANA has not adopted the higher goal in their corporate sustainability practices. The formal institutional pressures affecting ANA's corporate sustainability practices are presented in Table 2.

Formal pressures	Country-level	Industry-level	Global
Regulatory	Laws & legislations	Emission reporting	International laws
	Diversity mandates		
	Reporting & disclosures		
Policies	Equal pay policy	Gender balance initiatives	UN Sustainable Development Goals
	Sustainability reporting policies	Waste guidelines	ESG disclosure policies
	Guidelines for climate transition finance	Climate change prevention policies	
	Biodiversity guidelines		
	Climate change prevention policies		

Table 2 Formal institutional pressures on ANA Group's corporate sustainability

4.2.2 Informal institutions

Informal institutions have a lot of influence on ANA Group's sustainability practices. **Cultural factors** and values play a significant role in influencing corporate sustainability practices in Japan. The cultural values, norms, and beliefs prevalent in Japanese society shape the way organizations perceive and approach sustainability. Belief of strong responsibility to others and value of community is very prevalent in Japan (Yamamoto & Lloyd, 2019, p. 119). This is also demonstrated on ANA Group's sustainability practices. The company participates actively in several sustainability practices which are not only limited to those concerning the company but also external communities. Community value can also be seen in how much networks, alliances and collaboration ANA has and uses in its sustainability practices. There still exists a **traditional belief** in Japan that LGBTI community is not seen as equal and still suffer exclusion (OECD, 2020). Japan doesn't even have formal regulation against discrimination based on sexuality but ANA Group still actively promotes inclusivity of all sexualities.

Even though Japanese community values can partly explain the abundance of governmental collaboration **industry-level beliefs** can also affect this. Many industry organizations believe that efficient SAF procurement and efficient sustainability regulations need collaboration with governments (IATA, 2023). **Industry networks**, alliances and other collaborations regarding sustainable practices are very common in air transportation industry. Examples of these networks are Clean Skies for Tomorrow, Star Alliance and ACT FOR SKY.

Norms influence ANA Group on all levels of institutional distance. On the country-level Japanese companies' high levels of involvement in sustainability reporting and disclosure practices have created a standard for all companies to engage in reporting and disclosure activities (Kokubu et. al., 2014). Corporate sustainability involvement is viewed as standard in Japanese business because it is so integrated in company values (Kokubu et. al., 2014). This encourages ANA Group to actively engage in corporate sustainability but it can also lead to problems in differentiating from other through sustainability practices.

As mentioned earlier, Japan is a very community orientated country and thus public-private collaboration is also a standard practice there. ANA is involved in public-private collaborative efforts to support sustainable development. Collaboration is also standard practice on the industry-level because operations and issues between airlines are very similar (IATA, 2023). Common effort to solve problems and lobby for regulatory developments is beneficial to the whole industry.

Industry-level and global best practices on environmental and social corporate sustainability influence ANA Group's practices. ANA actively discloses corporate sustainability plans and data and seems to conform to this norm the most. An industry-specific norm is focusing mainly on environmental sustainability when disclosing corporate sustainability. ANA Group's sustainability report did focus a lot on emissions and environmental sustainability but social practices are just as common for ANA.

The **influence of culture** can be seen in many of ANA Group's sustainability practices. As discussed in the literature review, collectivism is emphasized in the Japanese culture. Collectivism characterizes many of ANA Groups sustainability practices. They help and collaborate with many local and global organizations to improve the life of their local communities and employees. ANA Group actively engages the communities they operate in to make decisions about their sustainability practices. ANA Group's detailed future sustainability targets and plans suit the uncertainty avoidance of Japanese culture. ANA Group has established plans even for the case of disasters in Japan so that they can help the local community. These practices show the combined presence of collectivist and uncertainty avoidant culture. Future orientation is apparent in ANA's economic sustainability practices as well as environmental and social. For economic sustainability the emphasis on future can also just stem from regular corporate activity of trying to ensure operations in the future. The informal institutional pressures affecting ANA are presented in Table 3.

Informal pressures	Country-level	Industry-level	Global
Norms	High involvement in sustainability reporting and disclosure practices	Collaborative sustainability efforts	Higher disclosure expectations
	Sustainability rooted in business practice	Industry best practices	International best practices
	Public-private collaboration	Focus on emissions	
Beliefs	Responsibility to others	Governmental interference for environmental regulations	
	Below average LGBTI inclusion	Governmental support for SAF	
	Community is valued		
Cultural	Collective values		Similar values in culture clusters
	Performance outcomes are valued		
	Future orientated		
	Value rules and standards		

Table 3 Informal institutional pressures on ANA Group's corporate sustainability

5 Conclusion

In this chapter the purpose of the research is going to be revisited and the findings of this research are going to be summarized. Finally, managerial implications are given and future research ideas are suggested.

5.1 Summary

The purpose of this research was to explore how formal and informal institutional pressures influence a Japanese aviation company's corporate sustainability practice. This exploration provided interesting points of view as aviation companies are influenced by institutions on multiple levels. Aviation is a highly regulated industry on both national and international level. Most aviation companies operate beyond their home-country's borders which predisposes them to other than regulative institutional influences on an international level as well.

Both formal and informal institutions were found to create pressures for the case company to pursue corporate sustainability practices. This finding is in support of previous research which has also found that the institutional environment influences companies' sustainability behavior (Tran & Beddewela, 2020; Tolmie et al., 2020). Regulations and policies were found to ensure that companies consider their influence on the environment and society. This study found that culture and norms as an informal institutional pressure has an especially strong influence on social corporate sustainability. Tran and Beddewela (2020) noted that norms had a significant influence on sustainability disclosure. Economic sustainability practices were not found to be as strongly influenced by external regulatory influences as the other two dimensions of sustainability. This might indicate an internal motivation to create the right economic sustainability practices for a company.

The outcomes of this research are presented in the developed theoretical framework in Figure 3. Both formal and informal institutions influenced the firm's corporate sustainability. Informal institutional pressures that aligned with sustainability values seemed to support corporate sustainability practices beyond plain compliance with regulations. This finding aligns with previous findings of Tolmie et al. (2020) who suggested that informal institutional impact is more significant when informal institutions align with CSR initiatives. Both formal and informal pressures affected the environmental and social dimensions, but the regulations and values studied in this research did not have significant effects on the company's economic sustainability practices. This could be because this study only focused on regulatory formal institutions and the specific sustainability themes of the case company. If formal institutional pressures included politics, corruption, and bureaucracy, then the outcomes of formal institutional influences could differ.

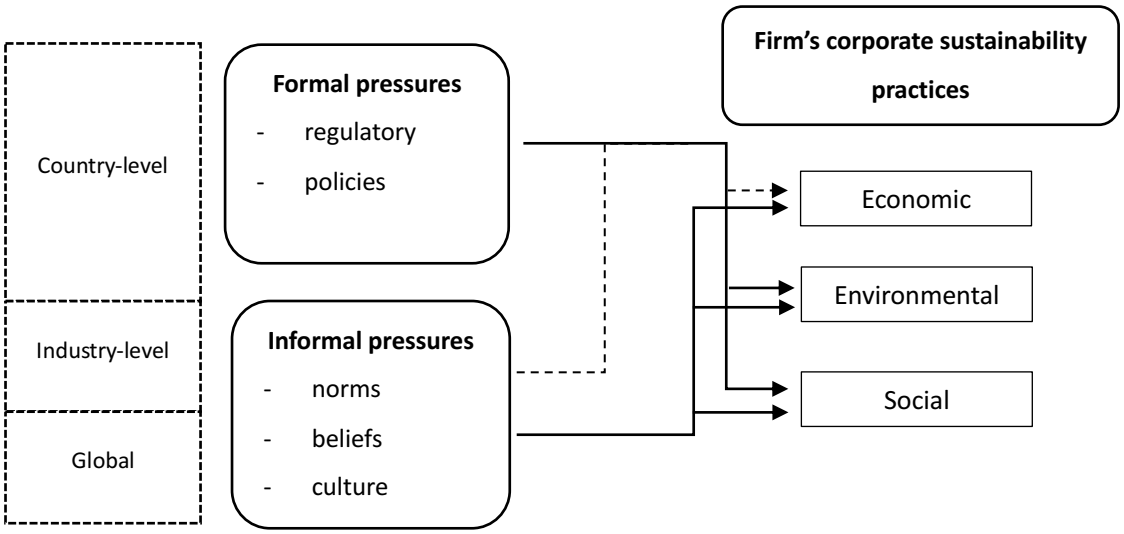

Figure 3 Modified framework with findings applied.

On the country-level institutional influences were stronger. Mostly industry-level and global institutions promoted guidelines to then enforce on a national level. Some of the case company's sustainability practices differed from the presumed conclusion based on the institutional influence. For instance, LGBTI inclusion in Japan is not a common

practice but the case company included practices for inclusion of all sexualities and had even been given awards for their inclusivity efforts. This could be explained by the more industry-based and international pressures influencing the case company. The company operates internationally so it must consider institutional pressures beyond just Japan. Together institutional influences on all levels support businesses to engage in more corporate sustainability practices.

5.2 Managerial implications and research suggestions

This study was explorative in nature but it can still offer some managerial implications. Understanding the institutional environment of a business is crucial to gain legitimacy and thus for the long-term survival of a company (Meyer and Rowan, 1977, p. 340). Regulations and policies on corporate sustainability practices and disclosures develop very fast and companies have to keep up with them. Due to globalization, many companies operate beyond just their home-country and the division of institutional influences on the levels of home-country, industry and global can offer beneficial framework for companies beginning their international operations. This study can also offer companies the understanding of how much informal institutions can influence companies' operations maybe even unconsciously. Special benefits this study could bring to aviation companies. To improve their domestic and global competitive advantage aviation companies could intentionally create strategic responses to institutional influences.

Future research on institutional influences and corporate sustainability would be very beneficial. In this study, the data was quite narrow so no strong theoretical generalizations can be made. Future research could include multiple companies within the same country and interviews from sustainability executives to create a more holistic theory on how national, industry-based and global institutions' influences differ. Future research could also be conducted on chosen companies from the same industry but in different countries. This type of research would provide new information on how influential national institutions are compared to more global ones. This study only focused on ongoing

corporate sustainability practices but a longitudinal study could demonstrate how new institutional pressures develop and how they are adopted into firms' practices. Another route for future research would be to focus more on the strategic responses to the institutional influences companies face. Future research could use Oliver's (1991) model on strategic responses to institutional pressures and explore what are the consequences of different strategic responses to institutional pressures concerning corporate sustainability.

This thesis' reliability and validity could also benefit from having primary data to use in addition to the secondary data. Including several sources of data would make the case study more accurate (Eriksson & Kovalainen 2008, p. 126). Interviews or surveys with individuals within the case company would help create more comprehensive and reliable findings for this study. It would also improve the understanding of purposeful sustainability strategy decisions. Adding one or more case companies would also have improved the quality of this thesis. The institutional influences could have been compared cross-culturally which could have given new insights into how specific institutional influences on corporate sustainability are to the home country.

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