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**From Voluntary to Mandatory: Preparing Multinational Corporations for the European
Union's Corporate Sustainability Due Diligence Directive**

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ABSTRACT:

The European Union's Corporate Sustainability Due Diligence Directive (CSDDD), approved in 2024, marks a fundamental shift in corporate accountability. The directive requires large companies operating in the EU to identify, prevent, and mitigate adverse human rights and environmental impacts across their operations and supply chains, transforming sustainability from a largely voluntary approach into a legal obligation. The directive will enter into force gradually starting from 2028. While the directive introduces far-reaching changes, existing research provides limited insight into how organizations can effectively prepare for such mandatory sustainability requirements.

This study uses institutional theory as a framework to examine how formal and informal institutional pressures shape organizational behavior, particularly analyzing how voluntary practices interact with emerging legal requirements. The data were collected through a qualitative case study of a Finnish multinational corporation, including interviews with seven sustainability professionals and document analysis. The findings show that effective preparation builds on existing voluntary practices, particularly the OECD Guidelines and UN Guiding Principles. Companies must translate these informal norms into legally compliant due diligence processes, navigate complex global supply chains, and implement systematic risk prioritization.

This study contributes to institutional theory by demonstrating how formal regulations interact with informal sustainability norms across multinational contexts, and how strong internal sustainability values can support organizational resilience during regulatory change. Practically, it provides a strategic framework for CSDDD preparation. Key steps include conducting tailored gap analyses, supply chain mapping, meaningful stakeholder engagement, and approaching due diligence as a continuous process supported by relevant performance indicators. The findings suggest that companies with embedded sustainability cultures are better positioned to meet regulatory demands and turn compliance into strategic advantage.

KEYWORDS CSDDD, due diligence, sustainability, supply chains, institutional theory

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TIIVISTELMÄ:

Euroopan unionin yritys vastuudirektiivi (CSDDD) hyväksyttiin vuonna 2024 ja astuu voimaan vaiheittain vuodesta 2028 alkaen. Direktiivi velvoittaa suuria EU:ssa toimivia yrityksiä tunnistamaan, ehkäisemään ja lieventämään toimintansa sekä toimitusketjunsäädöksiä ihmisoikeus- ja ympäristövaikutuksia. Se edustaa merkittävää muutosta yritysvastuun sääntelyssä, siirtyen vapaaehtoisuuteen perustuvista käytännöistä kohti lakisääteisiä velvoitteita. Aiempi tutkimus ei tarjoa riittävästi tietoa siitä, miten organisaatiot voivat valmistautua direktiivin toimeenpanoon. Tässä tutkimuksessa tarkastellaan, miten monikansalliset yritykset voivat strategisesti valmistautua yritysvastuudirektiiviin. Tutkimuksessa hyödynnetään institutionaalista teoriaa viitekehystenä, ja tarkastellaan, miten formaalit ja informaalit institutionaaliset paineet ohjaavat organisaatioiden toimintaa sääntelymuutosten keskellä.

Tutkimus on toteutettu kvalitatiivisena tapaustutkimuksena suomalaisesta monikansallisesta yrityksestä. Empiirinen aineisto koostuu seitsemän asiantuntijan haastatteluista sekä dokumenttianalyyseistä. Tulosten perusteella keskeisiä valmistautumistoimia ovat puuteanalyysien laatiminen, toimitusketjujen kartoitus ja huolellisuusvelvoitteen toteuttaminen jatkuvana prosessina. Valmistautumisessa voi hyödyntää olemassa olevia vapaaehtoisia vastuullisuuskäytäntöjä pohjana, erityisesti OECD:n toimintaohjeita ja YK:n yritystoimintaa ja ihmisoikeuksia koskevia ohjaavia periaatteita (UNGPs).

Tutkimus osoittaa, että vahva arvopohjainen vastuullisuuskulttuuri tukee organisaation kykyä sopeutua sääntelymuutoksiin. Sääntelyyn liittyvä epävarmuus voi kuitenkin hankaloittaa valmistautumista, minkä vuoksi due diligence -prosessit tulisi nähdä jatkuvana ja strategisena toimintana, ei vain yksittäisenä compliance-projektina. Tutkimus tarjoaa strategisen viitekehysten yritysvastuudirektiivin toimeenpanoon, joka sisältää: 1) sisäisten puuteanalyysien toteuttamisen, 2) olemassa olevien viitekehysten hyödyntämisen, 3) sidosryhmien järjestelmällisen sitouttamisen sekä 4) resurssien kohdentamisen korkean riskin toimintoihin ja alueisiin. Lisäksi tutkimus osoittaa, että yritykset, joilla on juurtunut vastuullisuuskulttuuri ja vakiintuneet vastuullisuuskäytännöt, kykenevät sopeutumaan sääntelymuutoksiin ketterämmin. Ennakoiva valmistautuminen tukee lakisääteisten vaatimusten täyttämistä ja voi tuoda strategista kilpailuetua.

AVAINSANAT yritys vastuudirektiivi, huolellisuusvelvoite, kestävyys, toimitusketjut, institutionaalinen teoria

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1 Introduction

1.1 Background

“We are on the brink of an irreversible climate disaster”, states a recent climate study (Ripple et al., 2024), reflecting the growing recognition and urgency of sustainability, now central to both societal and corporate agendas. Corporate sustainability has become a critical question for businesses around the world, particularly since the 1990s, when globalization reshaped the economic environment (Agudelo et al., 2019). This focus has gained further momentum in recent years due to growing demands from stakeholders and new regulatory frameworks. A key example is the European Union's Corporate Sustainability Due Diligence Directive (CSDDD), approved in 2024, which represents a transformative shift in corporate sustainability.

According to Costa et al. (2022), three key megatrends driving corporate sustainability transformation are environmental challenges such as climate change and biodiversity loss, technological advancements that offer new solutions for sustainable development, and social changes as consumers increasingly make value-based decisions. These trends are reflected in broader sustainability research (e.g., Agudelo et al., 2019; FIBS, 2019; IPCC, 2023) and signal that corporate sustainability is not just a temporary phenomenon but a deepening aspect of global business practices.

Companies are now being pushed toward more structured approaches to sustainability, driven by new regulations such as the CSDDD. The directive requires businesses to assess their operations' impact on human rights and the environment (European Union, 2024). This includes identifying, preventing, and mitigating adverse human rights and environmental impacts in their own operations, subsidiaries, and business partners that are related to their chain of activities. The CSDDD aims to ensure that sustainability is not only an ethical concern but also a critical element of risk management. Member States are required to transpose the rules into national legislation by 2027, and the directive will take effect in phases starting from 2028, depending on company size

(European Union, 2025). Ultimately, the CSDDD will apply to large companies with more than 1,000 employees and an annual turnover exceeding €450 million in the EU (European Union, 2024). Although the directive is not yet in force, proactive preparation is crucial, especially for multinational corporations with complex global value chains.

Corporate sustainability has largely been guided by voluntary frameworks that often lack enforcement mechanisms and have not significantly impacted the environment and human rights (United Nations, 2011; European Commission, 2020). The CSDDD addresses this gap by introducing mandatory requirements that transform corporate sustainability from a voluntary practice into a legal obligation. The CSDDD stands out from other legally binding regulations, such as the Corporate Sustainability Reporting Directive (CSRD), by focusing on concrete action rather than the reporting aspect (Frank Bold, 2024). This makes it one of the first large-scale frameworks to impose enforceable obligations for due diligence across global value chains. These differences highlight why the CSDDD is distinct and more ambitious than prior regulatory efforts.

This thesis applies institutional theory to examine how multinational companies can prepare for the CSDDD. Institutional theory examines how organizations adapt to external pressures (DiMaggio & Powell, 1983), and it can be applied to understand organizational responses to regulatory changes and how organizations can prepare for new regulations. This thesis analyses the interaction between the currently adopted corporate sustainability practices and the latest regulation, offering an analysis of the interplay between informal institutions (i.e. voluntary practices and norms) and formal institutions (i.e. laws and regulations) in the context of corporate sustainability. This approach aims to contribute to understanding how organizations adapt to new regulatory (i.e. formal institutional) environments in the field of sustainability.

1.2 Research Gap

While institutional theory has been widely applied to study sustainability, there are still significant gaps in its theoretical understanding. A substantial portion of research has focused on voluntary sustainability frameworks, and the available research on institutional theory and mandatory sustainability regulations (e.g., Higgins & Larrinaga, 2014 & Herold, 2018) has focused primarily on reporting requirements rather than comprehensive due diligence directives. Tolmie et al. (2020) point out that there is still limited understanding of how multinational companies navigate different institutional pressures, especially when formal and informal sustainability requirements intersect. Similarly, Aragón-Correa et al. (2020) highlights that future research should focus on the complementary impacts of mandatory and voluntary frameworks on organizations' environmental strategies rather than analyzing their separate influence. The CSDDD builds on voluntary principles such as the UN Guiding Principles (UNGPs) and OECD Guidelines (Frank Bold, 2024), offering a unique opportunity to study this interaction.

Given that the CSDDD was approved in March 2024, more research on this topic is needed. The implications of CSDDD on the corporate world and the global economy are not yet fully understood and, thereby, require further investigation. Sustainable Global Supply Chains Report (2022) states that there is a challenge in understanding the effect of specific policies aimed at making global supply chains sustainable. Kolev and Neligan (2022) note that all EU companies affected by the CSDDD must stay informed about the upcoming developments and highlight the need for additional research to understand the implications of the CSDDD.

Exploring how multinational corporations can prepare for the CSDDD through a Finnish context presents a distinct research angle. Finland has consistently ranked among the top-performing countries in international sustainability comparisons (Sachs et al., 2021) and has established a long tradition of sustainable development policy (Niestroy et al., 2019; Rouhinen, 2014). Given Finland's high sustainability rankings, Finnish companies have likely already adopted extensive informal practices. Despite their strong

sustainability rankings, according to the Ministry of Economic Affairs and Employment (2021), Finnish companies remain in the early stages of implementing human rights due diligence. This makes Finland an ideal context to analyze, as Finnish companies operate within a strong national sustainability culture while still navigating challenges in implementing comprehensive due diligence processes that will soon be required by CSDDD.

1.3 Research question and objectives

The main research question of this study is ***how can multinational corporations prepare for the upcoming Corporate Sustainability Due Diligence Directive (CSDDD)***. This thesis focuses on identifying the steps companies can take to proactively align their policies and processes with the directive's requirements.

To address the research question, the following objectives are formulated:

- 1. Explore how companies navigate institutional pressures in the context of sustainability, focusing on the role of formal (regulatory) and informal (voluntary) institutions*
- 2. Examine key requirements of the CSDDD in comparison to other sustainability frameworks and regulations*
- 3. Analyse how multinational corporations can effectively prepare for the CSDDD*

1.4 Delimitations

This thesis focuses on large multinational companies that meet the CSDDD criteria. While corporate sustainability encompasses numerous frameworks and guidelines, this thesis examines selected frameworks most relevant to the development and implementation of the CSDDD. For instance, this thesis focuses on the French Duty of Vigilance Law and German Supply Chain Act as earlier similar laws, along with key voluntary frameworks such as the OECD Guidelines and UNGPs. The thesis does not attempt to provide a complete analysis of all corporate sustainability frameworks. The analysis for this thesis is based on the latest CSDDD version approved in 2024 and does not predict potential future amendments. Since the CSDDD will be incorporated into EU member states' legal systems by 2027, and member states have some flexibility in implementation, this thesis does not cover possible variations in national implementation or future versions of the directive.

While this study does not analyze future versions of the directive or national implementations, it is worth noting that upcoming developments, such as the EU Omnibus amendments may have influenced the perspectives shared during interviews conducted for this research. However, these influences are not the focus of this thesis and are not analyzed in depth. The focus is on the preparation phase rather than post-implementation effects, as the research period ends before the directive's full implementation. Therefore, questions around post-implementation effects are outside the scope of this study. This research uses a case study approach and examines a Finnish multinational company. Consequently, the findings may not fully apply to all multinational corporations (MNCs) preparing for the CSDDD.

1.5 Definitions

Effective preparation

In this thesis, “effective preparation” refers to the strategic alignment of internal processes and supply chain practices with the key due diligence obligations outlined in the CSDDD. This includes identifying and mitigating risks and integrating sustainability into risk management systems (see e.g., European Union, 2024).

Multinational corporation (MNC)

A multinational corporation is an enterprise that engages in foreign direct investment and owns or controls value-adding activities in more than one country (Dunning 1992, p. 3).

Due diligence

The processes through which enterprises can identify, prevent, mitigate, and account for how they address their actual and potential adverse impacts (OECD, n.d).

Value chain

The value chain represents the entire chain of activities involved in the creation and delivery of products and services, from raw material acquisition, through production and distribution, to the use phase by customers, and finally to end-of-life management including disposal or recycling (Gereffi & Fernandez-Stark, 2016).

Supply chain

The supply chain encompasses all activities associated with the upstream flow of materials from suppliers to the organization (Monczka et al., 2015, p. 11).

Institutional theory

Institutional theory examines how external pressures influence organizations to adopt similar practices, structures, and behaviors in order to gain legitimacy within their institutional environment (DiMaggio & Powell, 1983, p. 147).

1.6 Thesis structure

This thesis is divided into seven chapters. Chapter 1 introduces the topic and describes the context of the study. It explores the background and relevance of the topic, outlines the research question and identifies research gaps. Chapter 2 covers the theoretical foundation of institutional theory and its application to multinational companies, examining how organizations respond to formal and informal institutional pressures. Chapter 3 discusses the evolution of corporate sustainability frameworks from voluntary initiatives to mandatory regulations and concludes with the key requirements of the CSDDD. Then, Chapter 4 summarizes these concepts into a theoretical framework. Methodology in Chapter 5 describes the methodological approach and research implementation procedures. Chapter 6 presents the empirical findings of this study. The final Chapter 7 interprets the findings through institutional theory, outlines theoretical and managerial implications, acknowledges limitations, and suggests directions for future research.

2 Corporate sustainability and institutional theory

Sustainability as a concept has evolved over the years and emerged from the broader term “sustainable development” introduced in the Brundtland Report (United Nations, 1987). The report defined sustainability as “development that meets the needs of the present generations without compromising the ability of the future generations to meet their own needs” (p. 37). This concept of sustainable development outlined in the Brundtland Report has significantly influenced later studies on corporate sustainability (Costa et al., 2022). Most definitions of corporate sustainability share the commonality of promoting sustainable development within a company and producing common good beyond legal requirements (Blowfield & Murray, 2014, p. 7). Basil and Erlandson (2008, p. 126) note that responsible business generally covers two aspects: generating benefits for society, even if it does not directly benefit the company economically, and meeting the needs of its stakeholders.

This thesis uses institutional theory as a framework for analyzing how different pressures shape corporate sustainability practices and addresses the research question of how companies can prepare for the CSDDD. Institutional theory examines how organizations adapt to external pressures (DiMaggio & Powell, 1983), and offers a framework for analyzing how to prepare for compliance with new regulations. North (1990) defines institutions as the “rules of a game in a society” that arise to reduce uncertainty by establishing a structure for human interaction. Institutions provide guidelines or rules that actors, such as organizations, follow to navigate the landscapes where they operate. By following the rules or norms, actors can gain legitimacy and ensure survival (North, 1990). Institutional theory’s focus on how organizations adapt to regulatory, societal, and industry expectations provides insights into the strategies companies can adopt to comply with sustainability regulations and gain legitimacy. Therefore, institutional theory is particularly beneficial for analyzing how organizations can prepare for the CSDDD by understanding and responding to external pressures. North (1990) provides a valuable perspective by categorizing institutions into formal and informal. Formal institutions refer to official laws, rules, and regulations, while informal

institutions refer to unwritten social norms, values, internalized beliefs, and practices that shape organizational behavior. In the context of corporate sustainability, informal institutions often refer to voluntary standards and best practices that are adopted in response to societal expectations and industry trends. In contrast, formal institutions in a sustainability context can include government regulations, mandatory reporting requirements, and legal commitments that organizations must comply with.

According to DiMaggio and Powell (1983), different external pressures shape organizations, and not only the aim to maximize profit. In conforming to these pressures, organizations adopt similar practices in order to increase their legitimacy (DiMaggio & Powell, 1983). As legitimacy is necessary for organizations to be competitive (Kauppi & Luzzini, 2022), organizations tend to adopt similar practices gradually. The phenomenon where organizations gradually become similar is described as isomorphism and is at the center of institutional theory. Isomorphism occurs when organizations aim to gain legitimacy and reduce uncertainty in their institutional environment (DiMaggio & Powell, 1983). Isomorphic pressures are divided into coercive, mimetic, and normative mechanisms. Coercive isomorphism occurs when organizations are required to adopt practices, such as sustainability measures, due to enforcement by a more powerful authority like the government (Beddewela & Fairbrass, 2016). It often results from political influence, such as laws and regulations, which makes it particularly relevant when assessing the CSDDD. Therefore, regulation should create isomorphism and harmonize corporate sustainability. By enforcing compliance, the CSDDD aims to create uniformity in corporate sustainability and possibly prevent greenwashing.

Mimetic isomorphism occurs when organizations adopt practices from other organizations to establish legitimacy (DiMaggio & Powell, 1983). It is especially relevant in situations when there is high uncertainty in the industry environment since, in uncertain situations, using similar practices from industry leaders can be safer than testing new ones. In the context of corporate sustainability, mimetic isomorphism can explain why industry leaders can influence the larger sustainability landscape when

other companies follow their practices to reduce uncertainty. For example, in preparing for the CSDDD, companies may want to benchmark sustainability practices from industry leaders and mimic their strategies to minimize risk. Aligned with this, Yang and Kang (2020) state that mimetic pressures are the driving force for implementing environment management systems. Furthermore, normative isomorphism refers to organizations adopting similar practices due to professional standards and norms (DiMaggio & Powell, 1983). Normative institutions reflect industry standards and provide a useful lens when assessing the impact of widely used sustainability frameworks such as the Triple Bottom Line and OECD guidelines.

North's (1990) division to formal and informal institutions can be aligned with DiMaggio and Powell's (1983) three types of institutional pressures. Formal institutions often go in line with coercive pressure through laws and regulations. In contrast, informal institutions tend to align more with normative and mimetic pressures. However, there can be overlap in how these pressures manifest as informal institutions can sometimes lead to coercive pressures and vice versa. This thesis uses the dual division and categorizes corporate sustainability frameworks into formal institutions (i.e., binding rules and regulations) and informal institutions (i.e., norms, traditions, and best practices) in order to analyze the pressures shaping corporate sustainability. Notably, these categories can overlap in practice, as many sustainability frameworks contain both formal and informal elements. However, the division of informal and formal institutions provides a framework to explore how existing voluntary sustainability norms anticipate the legal requirements companies will face under the CSDDD as practices often evolve from informal norms into formalized requirements (Hou & Smith, 2010).

2.1 Institutional theory: application to MNCs strategy

Like most theories, institutional theory has faced critique, especially regarding its deterministic view of organizational behavior and its application to multinational corporations. Older scholars of institutional theory (e.g., DiMaggio & Powell, 1983) do not explain why some organizations stand out in their field or why some innovate rather than conform. To address these gaps, later streams of research (e.g., Kostova et al., 2008) shifted focus toward the processes of institutional change. This approach highlights how organizations can actively influence their institutional environment, and it can explain how some companies not only comply with sustainability standards but also actively shape industry norms. This is why later approaches within institutional theory are suited for analyzing corporate sustainability practices. The following section explores the evolution of institutional theory and how it applies to corporate sustainability within MNCs.

Kostova et al. (2008) examine the limitations of traditional institutional theories in international management research. They argue that multinational organizations operate in complex systems facing multiple, fragmented, and conflicting institutional environments, and given the complex nature of MNCs, traditional institutional theory is not suitable. Roth and Kostova (2003) highlight the unique challenges that MNCs face, such as navigating different cultural and political environments. MNCs have to address intra-organizational issues, manage foreign subsidiaries, coordinate activities across countries, and implement cross-border management systems (Roth & Kostova, 2003). In the context of corporate sustainability, MNCs may deal with varying sustainability regulations across countries, which can be challenging due to different cultural norms, business practices, and resources across countries. Gaur et al. (2019) further emphasize this complexity and notes that modern MNCs operate as networks where differences in laws, cultures, and practices across subsidiaries create additional challenges for maintaining consistent practices.

Kostova et al. (2008) suggest that MNCs cannot achieve legitimacy through isomorphism and that traditional institutional models, which view organizations as passive responders to external pressures, do not capture MNC dynamics. The "new institutionalism" recognizes that organizations, especially MNCs, are not only reactive but can exercise strategic agency by influencing, negotiating, and even reshaping the institutional contexts they operate within (Kostova et al., 2008). In the corporate sustainability context, this suggests that MNCs can play a proactive role, not just in complying with regulations but in shaping the industry. Examples include companies like Patagonia that actively engage in shaping public discourse and are not just responding to regulations (Rattalino, 2017). This active role of organizations has gained increasing recognition in recent literature. For instance, Eitrem et al. (2024) emphasize the importance of considering power relations in how organizations shape and navigate their institutional environments, suggesting that traditional institutional theory's focus on passive conformity limits our understanding of organizational agency.

Peng et al. (2009) developed the institution-based view (IBV) as a theoretical framework that connects institutional contexts to strategy formation. The theory proposes that strategic choices are driven by industry conditions and organizational capabilities along with formal and informal pressures of the institutional environment. According to the IBV, companies rationally pursue their interests and make strategic choices within the constraints of their institutional framework. In addition, the framework suggests when formal constraints are unclear or evolving, informal constraints play a larger role in guiding strategic decisions (Peng et al., 2009). The IBV complements Kostova et al.'s (2008) emphasis on MNC agency and provides a framework for understanding how institutional contexts specifically shape strategy formulation.

2.1.1 Supply chains and institutional pressures

Building on Kostova et al.'s (2008) analysis of MNC complexity, a key dimension of this institutional challenge lies in global supply chains. Supply chains serve as interconnected networks of production, trade, and investment controlled by MNCs as lead firms (Stringer & Michailova, 2018). Kostova et al. (2008) highlight how MNCs operate in multiple, fragmented institutional environments, and this complexity is particularly clear in their supply chains, where companies must navigate varying sustainability standards, cultural norms, and regulatory requirements across different countries. Antràs and Chor (2021) add that especially modern MNCs must navigate the increasingly complicated global supply chains compared to domestic firms.

While the importance of sustainable supply chain management (SSCM) is well-recognized in research, many challenges remain. Studies have shown that much of the focus within SSCM research has been on the environmental aspect of the triple bottom line, often overlooking social sustainability (Seuring & Müller, 2008; Banerjee, 2010). Additionally, visibility and transparency across complex global supply chains remain a major obstacle (Capgemini, 2023; Khan et al., 2023). For example, most companies still struggle to measure Scope 3 emissions, despite them representing the majority of corporate carbon footprints (Capgemini, 2023). These challenges demonstrate that supply chain sustainability remains an evolving area of research, especially as new regulations like the CSDDD shift expectations from voluntary action to legal compliance. This makes MNCs particularly valuable research contexts for understanding how organizations navigate complex sustainability requirements across their supply chains.

Supply chains are especially relevant for studying CSDDD compliance as the directive specifically targets sustainability practices throughout companies' supply chains (European Union, 2024). The directive's focus on supply chains is critical, given that they account for more than 80% of global greenhouse gas emissions (ASCM, n.d.) and present risks for human rights violations such as modern slavery (Stringer & Michailova, 2018).

The risk of human right violations in supply chains, particularly in labor-intensive stages of production, makes this context crucial for examining CSDDD compliance since addressing human rights violations is a key objective of the directive (European Union, 2024).

The Sustainable Global Supply Chains Report (2022) emphasizes the urgent need to restructure global production to reduce environmental impact. The report states that as supply chains have grown increasingly complex due to megatrends such as globalization and outsourcing, so has the importance of evaluating their environmental and social impacts. The CSDDD represents a significant shift in how supply chain sustainability is governed. Traditionally, sustainable supply chain management (SSCM) has evolved through best practices and voluntary standards (Carter et al., 2019). These best practices in SSCM typically include tools such as supplier codes of conduct, environmental audits, and third-party certifications to promote transparency and accountability across the supply chain (Patil et al., 2022). However, varying standards and voluntary guidelines have led to inconsistencies in sustainability practices (United Nations, 2011). The CSDDD transforms this landscape by introducing mandatory requirements. Since existing SSCM practices are likely to provide a foundation for CSDDD compliance (Frank Bold, 2024), examining SSCM practices becomes particularly relevant for understanding preparation strategies. Given the central role of supply chains in CSDDD and the unique challenges of global supply chain management, this thesis examines how MNCs manage sustainability through their supply chains.

2.2 Interplay between informal and formal institutions

After examining how MNCs navigate complex institutional environments and how these challenges manifest in global supply chains, understanding the interplay between formal and informal institutions becomes essential. This understanding is particularly relevant for analysing CSDDD preparation since the directive introduces formal requirements

that must be implemented across supply chains where informal institutions already shape business practices.

Both formal and informal institutions constrain and shape organizational behavior (North, 1990). These institutions coexist (Tolmie et al., 2020), and new regulatory requirements such as the CSDDD must be implemented in contexts where informal institutions such as industry norms and voluntary practices already influence organizational behavior. According to Tolmie et al. (2020), institutional theory explains that formal institutions result from the crystallization of informal institutions. This is particularly prevalent with the CSDDD as it builds upon voluntary sustainability guidelines and translates them into legally binding legislation (Frank Bold, 2024).

MNCs operate in diverse, often fragmented, constantly evolving institutional environments (Stringer & Michailova, 2019). Therefore, globally operating MNCs can be subjected to significantly different institutional environments. For example, informal norms such as local cultural practices can conflict with formal institutions, which may also be prevalent in CSDDD compliance. Tolmie et al. (2020) note that organizations must consider domestic pressures, international authorities, and cultural norms in sustainability strategies. Aligned with this, Scott (2005) emphasizes the complexity of institutional environments and notes that particularly multinational corporations often navigate different institutional environments simultaneously and are subjected to “multiple, possibly conflicting, layers of cultural, regulative, and normative prescriptions”.

Tolmie et al. (2020) argue that formal legislation is effective in developed nations due to strong governance structures and formal institutional support. However, in developing countries, the absence of strong formal institutions means sustainability strategies rely more on informal institutions such as societal norms. While the CSDDD is an EU-wide regulation, it has a global impact due to its application to large multinational companies with global value chains. CSDDD implementation extends beyond the EU to regions where companies' supply chains are located, many of which may operate in different

informal institutional environments and have weaker governance. As an example, Stringer and Michailova (2019) note that modern slavery, which is a key focus point of CSDDD, is often prevalent in the beginning stages of the value chain, where norms and practices can differ.

The CSDDD can create a spillover effect where EU regulations influence business practices beyond EU borders, potentially reshaping informal institutions globally. This demonstrates the interplay between formal and informal institutions, as companies must balance EU regulatory requirements with diverse informal pressures across different countries. This includes actively engaging stakeholders, who often embody the informal pressures MNCs must address in their sustainability strategies. Tolmie et al. (2020) emphasize the importance of such stakeholder engagement in managing diverse institutional pressures. For effective CSDDD implementation, companies must navigate both the formal requirements and these informal institutional pressures.

Institutional theory suggests that without formalized regulatory mechanisms, informal institutions and normative pressures may be insufficient for ensuring consistent behavior across companies (Pasamar et al., 2023). A European Commission study found that only 37% of businesses conduct human rights and environmental due diligence, with just 16% covering their entire value chain (European Commission, 2020; Smith et al., 2020). Jäger et al. (2023) argue that legally binding measures are required in order to achieve human rights and environmental goals. As an EU-wide initiative, CSDDD creates a form of regulatory pressure across multiple countries, aiming to force global uniformity to corporate sustainability in a way that aligns with institutional theory's concept of coercive isomorphism.

2.3 Strategic responses and predictors to institutional pressures

Oliver (1991) explores organizational behavior in an institutional context and offers a framework for predicting strategic responses to institutional processes. The framework

combines institutional theory with resource dependency theory, focuses on active choice behaviors, and is based on the assumption that organizations can exercise control over their environment. This perspective challenges the idea of passive conformity to institutional pressures and is beneficial for assessing how MNCs can respond to the CSDDD through compliance and proactive strategies. The emphasis on strategic choice complements Kostova et al.'s (2008) later critique of traditional institutional theory.

Oliver (1991) proposes five strategic responses to institutional processes: acquiescence, compromise, avoidance, defiance, and manipulation. The responses vary in their agency, from passive conformity to active resistance depending on the nature of the pressures. This framework may help predict and explain how companies behave when faced with new sustainability regulations. Furthermore, understanding potential responses and their predictors allows companies to develop strategies for CSDDD compliance proactively rather than reacting passively.

Acquiescence refers to passive acceptance of institutional norms (Oliver, 1991). It can involve blind or unconscious adherence to rules and norms, often seen in situations where the behavior has historically been typical and conventional. It can also be seen as a continuous or unconscious imitation, which aligns with mimetic isomorphism. For example, acquiescence can be seen when companies fully adopt voluntary standards such as the Global Reporting Initiative without modification, as has been common practice among many organizations (GRI, 2024). *Compromise* refers to a middle ground between institutional demands and organizational goals (Oliver, 1991). It is similar to acquiescence but more active in promoting the organization's own interests, and compliance may only be partial. For example, some Spanish companies implementing the EU Non-Financial Reporting Directive provided more comprehensive environmental disclosures while offering minimal information on other required topics, attempting to satisfy both regulators and key stakeholders (Esteban-Arrea & Garcia-Torea, 2022).

Avoidance involves evading institutional pressures through non-compliance or strategic disengagement (Oliver, 1991). It can refer to a situation where nonconformity is hidden behind a facade of acquiescence. Avoidance can include buffering, where the organization reduces the extent to which it is externally inspected or evaluated. In the context of sustainability due diligence, avoidance may be demonstrated by a 'tick box' approach, where companies fulfill reporting requirements without actual implementation, as described by McCorquodale and Nolan (2021). This reaction was evident in responses to the EU Non-Financial Reporting Directive, where the lack of enforcement sometimes led to superficial compliance rather than real change in practices (McCorquodale & Nolan, 2021).

In contrast, *defiance* refers to openly resisting institutional norms, and *manipulation* represents the most active form of resistance (Oliver, 1991). Manipulation entails actively seeking to influence or change institutional expectations and includes exerting power over the source that seeks to enforce them. One example is when financial sector lobbyists successfully challenged the CSDDD's scope, resulting in the exclusion of financial sector downstream activities from the directive (EIRIS, 2024). However, many companies and industry associations actively advocated for the CSDDD, including those such as IKEA, Unilever, and Mars, demonstrating that manipulation can involve both weakening and strengthening institutional pressures (EIRIS, 2024).

Companies preparing for the CSDDD can benefit from adopting proactive approaches to compliance. Acquiescence can be strategic when organizations proactively adopt standards that exceed current requirements, which may position them more favorably when regulations are implemented. Potrich et al. (2019) and Chan et al. (2022) highlight that proactive environmental strategies lead to higher legitimacy and improved market performance by enabling companies to identify and navigate complex risks early. Jäger et al. (2023) found that companies already practicing due diligence in human and environmental rights may benefit directly from the CSDDD, as the regulation will level the playing field and remove advantages for non-sustainable operators (Frank

Bold, 2024). This suggests that organizations can gain competitive advantages by understanding new regulations early and assessing existing due diligence policies, value chains, and business partners to identify gaps between current processes and CSDDD requirements. However, companies should select response strategies based on their specific context, considering industry, size, and capabilities, as the universal superiority of proactive approaches should not be assumed in every context (Engau & Hoffmann, 2010). Table 1 summarizes how these different strategic responses can be applied to CSDDD preparation.

Table 1. Strategic responses applied to CSDDD compliance (adopted from Oliver, 1991)

Strategic Response	Type	Example of CSDDD Application
Acquiescence	Passive	Full implementation of CSDDD requirements; proactive adoption of due diligence processes
Compromise	Semi-active	Negotiating implementation timelines; adapting requirements to existing systems
Avoidance	Active	Surface-level compliance while minimizing actual changes; symbolic reporting
Defiance	Active	Challenging CSDDD requirements; refusing to implement certain aspects
Manipulation	Most active	Lobbying for amendments; influencing interpretation of requirements

Additionally, Oliver (1991) proposes five predictors for the strategic responses: cause, constituents, content, control, and context. These predictive factors offer a structured framework to assess why companies might choose certain strategic responses, and they can help identify factors influencing corporate preparation for the CSDDD. *Cause* relates to the perceived legitimacy gained from conformity. This explains why organizations are more likely to acquiescence when they believe conformity will enhance their social or economic fitness (Oliver, 1991). In contrast, resistance is more probable when little legitimacy is expected from compliance. One example of this predictor in practice is found in Iatridis and Kesidou's (2018) study of Greek manufacturing companies, which

implemented the ISO 14001 standard when they perceived clear legitimacy benefits, such as enhancing their reputation in international markets.

Constituents refer to the diversity of stakeholders that impose different pressures. According to Oliver (1991), the more diverse the stakeholders, the greater the likelihood of organizational resistance. When multiple different constituents (e.g., state, professions, and the general public) impose different pressures, compromise, avoidance, defiance, or manipulation are likely strategic responses. This applies to the complex stakeholder landscape that companies navigate when preparing for sustainability regulation. However, it is important to note that the source of the pressure impacts how much resistance occurs (e.g., if a company is dependent on the institution, acquiescence is more likely) (Oliver, 1991). One study of apparel manufacturers in Sri Lanka found that when facing multiple stakeholders (including buyers, regulators, and NGOs), companies acquiesced to demands from buyers they heavily depended on for revenue, while employing resistance strategies toward less critical constituents (Wijethilake et al., 2017).

Content predictor assesses whether external pressures align with the organization's own goals (Oliver, 1991). If the organization's goals align with the pressure, acquiescence is likely. For example, Flynn (2019) found that companies already committed to the UN Global Compact, which addresses human rights issues, were twice as likely to comply with the UK Modern Slavery Act reporting requirements. When regulations aligned with their existing values, compliance was more likely. Furthermore, content assesses how much the pressure limits the organization's autonomy. Potential loss of autonomy and discretion may lead to ceremonial conformity, decoupling, and manipulation strategies (Oliver, 1991). *Control* refers to the means by which the pressures are imposed (i.e., legal / government or voluntary) (Oliver, 1991). Organizations are more likely to conform to legal pressure since the consequences are more severe. For example, Mion and Loza Adai (2019) found that when the EU made sustainability reporting mandatory through the Non-Financial Reporting Directive, compliance rates dramatically increased among

Italian and German companies. This aligns with the concept of coercive institutional pressure described by DiMaggio and Powell (1983).

Context predictor evaluates the environmental context, such as uncertainty. When uncertainty is high, acquiescence, compromise, and avoidance are likely (Oliver, 1991). Context also assesses how interconnectedness influences organizational responses, which is particularly relevant in the globalized context of CSDDD. Bansal (2005) notes that corporate sustainability practices evolve in a high-uncertainty situation due to changing stakeholder expectations and the complexities of sustainability issues. For example, Flynn (2019) found that industry context significantly influenced modern slavery reporting compliance, with manufacturing firms more likely to comply fully with regulations than finance companies, demonstrating how different operational contexts shape how organizations respond to the same regulatory pressure. This chapter explored how organizations can strategically respond to institutional pressures in sustainability contexts. To understand how these pressures developed and why the CSDDD represents a significant shift, the next chapter examines the evolution of corporate sustainability frameworks that shaped the directive.

3 Evolution of corporate sustainability

Corporate sustainability has significantly evolved, transitioning from purely voluntary initiatives in the 1950s-1960s to increasingly formalized regulatory requirements (Agudelo et al., 2019), as summarized in Table 2. Initially shaped by informal institutions through voluntary frameworks and industry best practices, corporate sustainability gained stronger institutional recognition, especially in the 1990s, as multinational corporations began to see social responsibility as a way to balance the challenges and opportunities of globalization (Carroll, 2015). A significant moment in this evolution came in 2015 with the Paris Agreement and Sustainable Development Goals (SDGs), which established global frameworks for sustainability action (Agudelo et al., 2019).

This evolution toward formalization is reflected in EU regulatory developments. The EU introduced binding regulations through the Non-Financial Reporting Directive (NFRD) in 2014 and further strengthened the framework with the Corporate Sustainability Reporting Directive (CSRD) in 2022 (European Commission, n.d.). The CSDDD represents the latest stage in transitioning from voluntary standards into binding legal legislation (Frank Bold, 2024). Given that the CSDDD builds upon voluntary guidelines, it is beneficial first to analyze the informal landscape of corporate sustainability to understand the foundation of this new regulatory framework.

This chapter examines key sustainability frameworks that have influenced the development of the CSDDD. The frameworks were selected based on three primary criteria: demonstrated influence on corporate sustainability practices, direct citation or reference in the CSDDD text and preparatory documents, and structural similarity to the CSDDD's due diligence approach. While numerous sustainability frameworks exist, this analysis focuses on those with the most direct impact on the CSDDD's development and implementation requirements. The evolution begins with foundational conceptual frameworks (Triple Bottom Line, ESG) that established the understanding of sustainability, progresses through voluntary guidelines (OECD Guidelines, UNGPs) that

initially articulated due diligence processes, and concludes with national legislation (French Duty of Vigilance Law and German Supply Chain Act) that has pioneered the transition from voluntary to mandatory approaches before the CSDDD's introduction.

Table 2. Evolution of corporate sustainability frameworks

Framework	Type	Key Features	Formal Elements	Informal Elements
Triple Bottom Line (TBL) (1997)	Voluntary	Economic, environmental, social balance; Widely adopted in academic contexts	None	Normative pressure; Professional standards; Lacks standardized metrics
ESG (2000s)	Voluntary	Investment criteria; Rating systems	Some regulated reporting through CSR	Voluntary disclosures; Inconsistent ratings
OECD Guidelines (1976)	Voluntary	Global standards for responsible business	Government endorsements; implemented through NCPs; Basis for later legislation	Voluntary adoption; Reflects best practices and industry norms
UN Guiding Principles (UNGPs) (2011)	Voluntary	Human rights & business responsibility guidelines	Government endorsements; Basis for later legislation	Voluntary adoption; Reflects best practices and industry norms
French Duty of Vigilance Law (2017)	Mandatory	Human rights & environmental due diligence in supply chains	Legal enforcement at national level	None
German Supply Chain Act (2023)	Mandatory	Human rights & environmental due diligence in supply chains	Legal enforcement at national level	None

Corporate Sustainability Reporting Directive (CSRD)	Mandatory	Standardized sustainability reporting	Legal enforcement; Mandatory audit requirements;	None
Corporate Sustainability Due Diligence Directive (CSDDD) (2024)	Mandatory	Comprehensive due diligence; EU-wide scope	Legal enforcement; Sanctions	None

3.1 Triple bottom line

Corporate sustainability has often been examined through three dimensions: economic, environmental, and social responsibility. This division is based on Elkington's (1998) Triple Bottom Line theory (TBL), which states that responsible business occurs when these three areas are in balance. Economic responsibility can be understood as profitability and managed risk-taking, allowing companies to operate long-term. A company operating in line with economic responsibility must meet the expectations of its owners, and its activities must be profitable (Elkington, 1998). According to Vuong and Bui (2023), a company cannot address social or environmental aspects of responsibility if it is economically unprofitable. Environmental responsibility refers to practices that protect and preserve environmental resources for future generations (Alhaddi, 2015). It can be viewed from the company's direct impacts and value chain, including reducing emissions and waste and improving material efficiency. Social responsibility refers to business practices that are fair to labor, human capital, and the community (Elkington, 1998). It includes fair personnel policies, such as fair wages and health care coverage (Alhaddi, 2015).

TBL primarily reflects normative pressures in the institutional environment, as it is widely recognized in academic and business contexts as a framework for sustainability (Alhaddi, 2015). Despite TBL being a widely used framework, it lacks the coercive element. For instance, Norman and Macdonald (2004) critique the TBL rhetoric for being vague, especially regarding the social aspect. TBL emphasizes balancing all three dimensions, but according to Norman and Macdonald (2004), a widely accepted method for utilizing data on social performance needs to be developed. Quantitative assessments of social impacts are challenging due to their qualitative nature, which presents a challenge in the practical application of the TBL. According to Slaper and Hall (2011), the need for standard units of measurement in the TBL makes it challenging to create a comprehensive and meaningful index for sustainability assessment. The social aspect often relies on best practices and cultural expectations, which is typical for informal institutions. This reflects the difficulty of translating normative pressures into concrete, measurable outcomes. The Triple Bottom Line provides a holistic view of corporate sustainability and is widely adopted, but its practical implementation can be complex.

3.2 Environmental, social, and governance (ESG)

ESG stands for environmental, social, and governance criteria that investors consider when evaluating a company's sustainability (Sipiczki, 2022). It represents a more structured approach to sustainability that bridges formal and informal expectations. ESG investing has been practiced for over two decades and has transitioned from a niche market to the mainstream (Sipiczki, 2022). It demonstrates the normative pressures described in institutional theory and the professionalization of sustainable investing practices. Mimetic isomorphism is also likely present in the adoption of ESG standards, as companies may align their disclosure practices with successful industry peers, potentially as a strategy to reduce uncertainty. However, similar to TBL, ESG showcases the challenges of informal institutions. Sipiczki (2022) emphasizes the lack of

transparency in ESG and the concern that capital is increasingly misallocated due to inadequate ESG criteria. Inconsistencies between methodologies and metrics used by rating agencies lead to different scores for companies' sustainability credentials (Sipiczki, 2022). This is compounded by the absence of a regulatory definition for ESG criteria, allowing rating agencies to use various definitions for the environmental, social, and governance aspects.

The lack of standardization in the ESG ratings can lead to inconsistencies between the scores that individual companies receive from different rating agencies (Sipiczki, 2022). A study by Kotsantonis and Serafeim (2019) supports this, demonstrating that these inconsistencies often stem from the use of different methods to fill data gaps. According to Sipiczki (2022), most information used to compile ESG rankings is sourced from companies' voluntary disclosures or responses to rating agencies' surveys. As a result, ESG disclosures tend to be more subjective than financial reports, which may raise doubts about their reliability (Sipiczki, 2022). As ESG frameworks gained relevance, the need for standardization became clear. The Corporate Sustainability Reporting Directive (CSRD) aims to tackle this issue by standardizing companies' ESG disclosures (Sipiczki, 2022). Therefore, the EU legislative initiatives, such as CSRD and EU Taxonomy, represent a shift towards formal institutions in the ESG landscape.

3.3 OECD Guidelines and UN Guiding Principles

While ESG focuses on measurement and ratings, the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights (UNGPs) provide broader guidance for corporate sustainability practices. These are foundational voluntary standards that guide enterprises in adopting sustainable practices (Davaanyam & Krajewski, 2024). The OECD Guidelines and UNGPs aim to ensure companies' respect for human rights and the environment, regardless of their size, sector, or operational context (OECD, n.d.). While remaining informal institutions

due to their voluntary nature, they demonstrate strong normative pressures through widespread acceptance by governments and businesses globally (Davaanyam & Krajewski, 2024).

The OECD Guidelines for Multinational Enterprises, established in 1976, are recommendations that promote responsible business conduct across areas from human and labour rights to the environment (OECD, n.d.). The Guidelines set non-binding principles on various business ethics issues and showcase the concept of human rights and environment due diligence (Černič, 2023). They are implemented through National Contact Points (NCPs), which are supervisory mechanisms that monitor the Guidelines' implementation and provide platforms for addressing corporate misconduct (Davaanyam & Krajewski, 2024). According to Otteburn (2025), the NCPs are effective at providing access to minor forms of remedy but not with addressing severe violations. Despite these limitations, the OECD Guidelines demonstrate authoritative normative standards in business and human rights (Černič, 2023).

The UN Guiding Principles on Business and Human Rights (UNGPs), adopted in 2011, represent international standards for responsible business practice (UNDP, n.d.). They include 31 principles directed to governments and companies. The UNGPs requires that states have the primary responsibility to protect and fulfill human rights, while companies have the responsibility to respect human rights (Černič, 2023). Additionally, governments have the responsibility to protect people from environmental degradation. These principles formed the normative foundation for businesses' human rights responsibilities, focusing on nonjudicial mechanisms (Otteburn, 2025). The OECD Guidelines and the UNGPs are legally non-binding but play a role in setting expectations for responsible business conduct as they provide a shared framework for multinational companies to operate sustainably (Davaanyam & Krajewski, 2024). They lack legal enforcement but, as stated before, have significant authority through different mechanisms, for instance, by being endorsed by governments and implemented through formal structures like the NCPs. Despite being voluntary frameworks, their

official governmental endorsement and structured implementation mechanisms create elements of formal institutional pressure.

The OECD Guidelines and UNGPs have significantly influenced the development of the CSDDD (Feigerlová, 2025). The concept of human rights due diligence itself, central to the CSDDD, was initially developed and articulated in the UNGPs (Feigerlová, 2025). Furthermore, the CSDDD recitals directly reference the OECD Guidelines and UNGPs multiple times. The influence is also evident in how the CSDDD formalizes many of the voluntary due diligence practices first outlined in these guidelines (Feigerlová, 2025). The evolution of these guidelines reflects how informal institutions can shape formal regulatory frameworks. Even though the OECD Guidelines and UNGPs lack coercive elements, they have established normative standards that have influenced mandatory regulations. Notably, companies falling within the CSDDD's scope are expected to interpret the directive considering the objectives of UNGPs and OECD Guidelines (Bright et al., 2024).

3.4 French Duty of Vigilance Law and German Supply Chain Act

While the UNGPs provided important voluntary guidelines, human rights issues persisted in global supply chains (Sustainable Global Supply Chains Report, 2022). This highlighted the limitations of voluntary frameworks, which led to initiatives for mandatory due diligence laws. Perhaps the most significant efforts in nationally regulated corporate sustainability laws include the French Duty of Vigilance Law (Loi de vigilance) and the German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz), which later served as models for the CSDDD (Jault-Seseke, 2024). The French Duty of Vigilance Law came into effect in 2017, and it requires companies to prevent social, environmental, and governance risks associated with their activities and those of their subsidiaries and business partners (Jault-Seseke, 2024). The German Supply Chain Act followed this trend by requiring companies to comply with obligations on companies to conduct due diligence

regarding human rights and environmental protection along the supply chain (Jault-Seseke, 2024). It came into force in 2023 and, therefore, will take a while until its effects can be assessed. Although the French Duty of Vigilance Law and the German Supply Chain Act are enforceable within France and Germany, their requirements extend to international supply chains influencing global business practices indirectly (Jault-Seseke, 2024).

The French Duty of Vigilance Law and the German Supply Chain Act require effective human rights and environmental due diligence, but they have some differences. The French Duty of Vigilance Law applies to the entire supply chain, whereas the German Supply Chain Act covers only direct suppliers (Partzsch & Breunig, 2024). However, the CSDDD is even more comprehensive in all aspects of supply chain legislation (Partzsch & Breunig, 2024). For instance, the German Supply Chain Due Diligence law excluded liability claims based on a violation of the law (Sustainable Global Supply Chains Report, 2022). In contrast, CSDDD provides access for victims of human rights through judicial civil liability and non-judicial mechanisms by complaints mechanisms established by the companies (European Union, 2024).

Additionally, the CSDDD requires more extensive stakeholder engagement (Partzsch & Breunig, 2024). While the French Duty of Vigilance Law and the German Supply Chain Act encourage stakeholder consultation, they lack detailed guidelines for effective enforcement. Therefore, the CSDDD strengthens the two national legal frameworks and aligns them more closely with international standards (Bright et al., 2024). According to Partzsch and Breunig (2024), the final CSDDD text builds on the lessons learned from the French Duty of Vigilance Law and the German Supply Chain Act. This progression from national regulations to comprehensive EU-wide legislation marks an important step in corporate sustainability by creating a standardized approach to due diligence across the European Union.

3.5 Corporate Sustainability Reporting Directive (CSRD)

The Corporate Sustainability Reporting Directive, adopted in 2022, stands out as a key development in the EU's sustainability regulatory framework (European Commission, 2022). The CSRD expands the scope and requirements of sustainability reporting compared to the Non-Financial Reporting Directive (NFRD) it replaced. While approximately 11,700 companies were subject to NFRD, the CSRD applies to around 50,000 companies (European Commission, 2022). The CSRD requires companies to report according to European Sustainability Reporting Standards (ESRS), which mandate disclosures across environmental, social, and governance dimensions. Companies must report on sustainability risks, opportunities, impacts, targets, and transition plans (European Commission, 2022). The CSRD differs from the CSDDD in its focus on transparency rather than action. CSRD requires companies to disclose their sustainability impacts, while CSDDD requires concrete steps to address these impacts (Frank Bold, 2024).

The CSRD and CSDDD are designed to work together as complementary elements of the EU's sustainability strategy. The CSRD provides the disclosure framework for activities undertaken through CSDDD compliance (European Commission, 2023). The outcome of due diligence processes required by the CSDDD informs a company's assessment of material risks and impacts to be reported under the CSRD. Additionally, impacts identified as material under CSRD reporting should be subject to due diligence obligations under the CSDDD (Frank Bold, 2024). This relationship attempts to create a continuous improvement cycle between identification, action, and reporting. The CSRD represents a critical step toward the CSDDD. It standardizes sustainability reporting structure that creates transparency around corporate impacts, which is essential for effective due diligence implementation. The CSRD's requirement for detailed reporting on impacts created the foundation for the CSDDD's focus on addressing these impacts through mandatory due diligence.

3.6 Corporate Sustainability Due Diligence Directive (CSDDD)

The Corporate Sustainability Due Diligence Directive represents a significant milestone in formalizing corporate sustainability requirements. The CSDDD aims to establish compulsory human rights and environmental due diligence for large companies operating in the EU (European Union, 2024). It is the first EU-level directive focused specifically on sustainability due diligence, and it marks a step in the ongoing process of translating international human rights and environmental standards, namely the OECD guidelines and UNGPs, into legislation (Frank Bold, 2024). As varying standards and voluntary guidelines have led to inconsistencies in sustainability practices (United Nations, 2011), the CSDDD represents a regulatory response to the complex and fragmented corporate sustainability landscape. The directive aims to harmonize the corporate sustainability landscape, especially regarding human rights and environmental due diligence. The CSDDD will be incorporated into national law of the EU members by 2027 (European Union, 2025). The member states have some flexibility in the implementation, but they cannot reduce existing requirements of CSDDD (European Union, 2024).

The CSDDD complements other EU sustainability regulations, particularly the Corporate Sustainability Reporting Directive (Frank Bold, 2024). The due diligence strategies, processes, outcomes, identified impacts, and measures taken should be disclosed through the CSRD reporting. Consequently, the CSRD provides transparency on how companies implement the CSDDD. The CSDDD helps companies identify the risks and impacts through the due diligence process, which, in turn, companies report under CSRD (Frank Bold, 2024). Simultaneously, a company might find critical information while reporting, and the impact should be investigated under the CSDDD. As such, the directives are interconnected and should be applied together.

The CSDDD represents a clear example of a formal institution as defined in institutional theory (North, 1990). As stated by the European Union (2024), companies that fail to comply with the requirements of the CSDDD face penalties, including fines of up to 5%

of the company's net worldwide turnover or other civil liabilities. Therefore, the directive creates coercive pressure through legal enforcement and sanctions, typical for a formal institution. This aligns with DiMaggio and Powell's (1983) concept of coercive isomorphism, which occurs when organizations adopt practices due to formal pressure from authorities. The mandatory nature and enforcement mechanisms of the CSDDD make it a formal institution that can enforce consistent corporate sustainability practices across the EU. The French Duty of Vigilance Law and the German Supply Chain Act provide evidence of how such coercive mechanism function in practice. For instance, companies in France have faced lawsuits for failing to comply with the Duty of Vigilance Law (Muñoz, 2025). Similarly, in Germany companies have been fined for non-compliance with the Supply Chain Act. According to Muñoz (2025), companies under CSDDD's scope can similarly anticipate legal sanctions for non-compliance.

In February 2025, the European Commission proposed changes to the CSDDD as part of its Omnibus package, aimed at simplifying administrative burden on companies and improving EU's competitiveness (European Commission, 2025). These proposals include delaying the application of CSDDD by one year from 2027 to 2028, narrowing the scope of value chain coverage, reducing the frequency of monitoring of due diligence processes, and limiting stakeholder engagement. As of May 2025, the outcome of the proposal remain uncertain, except for the confirmed postponement of the application of the directive (European Union, 2025). Therefore, companies in the first wave (i.e. EU companies with more than 5,000 employees and €900 million in net worldwide turnover & non-EU companies with similar turnover in the EU) will have one more year to implement the directive. The transposition deadline for the CSDDD is thus 2027, and the first phase of application is 2028.

3.6.1 Scope and value chain coverage

According to the European Union (2025), the Corporate Sustainability Due Diligence Directive applies initially from July 2028 to large EU companies with 3,000+ employees and annual worldwide turnover of over €900 million, as well as non-EU companies with turnover in the EU of over €900 million. From July 2029, the CSDDD will apply to EU companies with 1,000+ employees and €450 million net worldwide turnover and non-EU companies with turnover in the EU of over €450 million. Additionally, the CSDDD applies to companies that do not fall in these groups but are the ultimate parent company of a group meeting these criteria. Notably, the directive will inevitably affect smaller companies through value chains (Frank Bold, 2024).

The CSDDD applies to the company's "chain of activities", which includes upstream business partners in design, extraction, sourcing, manufacturing, transport, storage and supply of raw materials, products or part of the products and development of the product or the service (European Union, 2024). Downstream coverage is somewhat more limited, encompassing business partners involved in distribution, transport, and storage when done for or on behalf of the company (European Union, 2024). In addition, the chain of activities includes a company's subsidiaries and both direct and indirect business partners that have a business agreement with the company.

3.6.2 CSDDD due diligence obligations

Due diligence refers to the process of assessing potential risks in business operations or transactions and it involves identifying, preventing, and mitigating potential adverse impacts (European Commission, 2024). Ferreira and Melo (2023) describe due diligence as a tool for mitigating risks in third-party relationships, and preventing potential financial and reputational damage. Bonnitcha and McCorquodale (2017) divide due diligence into two concepts: a process for managing business risks and a standard of conduct that businesses must adhere to in their operations. In addition, due diligence is

a way of increasing transparency in the supply chain and it enables gaining internal and external knowledge of customers, suppliers, financial conditions, and business processes (Hofmann et al., 2018). The UNGPs and OECD Guidelines define due diligence as an ongoing process for managing risks, including six steps: integration, identification, prevention and mitigation, monitoring, communication, and remediation (Frank Bold, 2024). The CSDDD follows similar due diligence steps to those defined in the UNGPs and OECD Guidelines.

Identifying and preventing negative human rights and environmental impact

According to the European Union (2024), companies covered by the CSDDD must integrate due diligence into their risk management systems and policies. This includes identifying, preventing, and mitigating adverse human rights and environmental impacts in their own operations, subsidiaries, and business partners that are related to their chain of activities. The identification includes conducting periodic assessments and engaging with stakeholders. The due diligence requirements should follow a risk-based approach, where possible adverse impacts should be addressed in the order of prioritisation according to their severity and likelihood (European Union, 2024). According to Muñoz (2025), the biggest challenge of CSDDD is prioritizing between different, sometimes even competing, impacts. The directive addresses this by clarifying that prioritizing should not mean dismissing other impacts (European Union, 2024). If adverse impacts have already occurred, they have to be brought to an end or, if not possible, minimized. As a last resort, companies are required to terminate the harmful business relationship if other actions to prevent adverse impacts have failed.

Under the CSDDD, a company's liability depends on the level of involvement in causing the adverse impact (European Union, 2024). The directive outlines that companies are expected to take "appropriate measures" to prevent, mitigate, or bring to an end adverse human rights or environmental impacts. These measures must be tailored based on the company's role in causing harm and the degree of control or influence over the business partner involved. Therefore, the CSDDD places responsibility on companies

with reasonable information that adverse impact occurs even deeper in the supply chain. However, applying this principle in practice may not be straightforward. According to Muñoz (2025), the concept of “causing harm” or “adverse impact” remains legally ambiguous, particularly in complex supply chains, where multiple actors are involved.

An essential element of CSDDD requirements is monitoring and assessing the effectiveness of due diligence policies and communicating this within CSRD reporting (European Union, 2024). This step can include defining performance indicators that reflect the policies' outcomes, implementing a KPI tracking system, and having an ongoing dialogue with stakeholders to obtain feedback. Companies must assess their impacts at least every 12 months or whenever there is a reason to believe there is a risk of harmful impact. The OECD guidelines (2023) define negative environmental impacts as “significant changes in the environment or biota which have harmful effects on the composition, resilience, productivity or carrying capacity of natural and managed ecosystems, or on the operation of socio-economic systems or people”. The CSDDD follows a similar approach, and companies are required to consider climate change, biodiversity loss, air, water, and soil pollution, degradation of land, marine and freshwater ecosystems, and deforestation in their due diligence process (European Union, 2024).

The environmental impacts are linked to human rights, as environmental degradation can affect human rights, for example, through rising sea levels, food scarcity, and extreme weather events (Frank Bold, 2024). Aligned with this, CSDDD mandates that companies consider adverse environmental impacts that could lead to impacts on people and human rights (European Union, 2024). According to the UNGPs (n.d.), adverse human rights impacts occur when an action removes or reduces the ability of an individual to enjoy his or her human rights. Regarding human rights, the CSDDD requires companies to consider, for example, the rights to food, safe drinking water and sanitation, health, safety and property, and a healthy environment (European Union, 2024).

Stakeholder engagement and communication

An essential aspect of the CSDDD is stakeholder engagement and communication. According to the European Union (2024), companies are required to engage with stakeholders by consulting them about due diligence operations, particularly during the impact identification stage. Stakeholders must be consulted when gathering information on adverse impacts, developing preventive and corrective action plans, and deciding on the termination of a business relationship. Additionally, companies have to establish a complaint mechanism that enables stakeholders to raise concerns about adverse human rights or environmental impacts. The complaint procedure should be publicly available, accessible, transparent, and effective for all stakeholders. Companies must also communicate publicly on their implementation of the CSDDD and due diligence process under the CSRD. The reporting should include due diligence strategies, processes, and outcomes. Additionally, companies must establish a code of conduct that incorporates due diligence principles and update it every 24 months.

Climate change mitigation plan

Companies must also implement an action plan for climate change mitigation to ensure that their business model aligns with the goal of limiting global warming to 1.5 °C in line with the Paris Agreement (European Union, 2024). The plan must include a description of methods for decarbonization and an explanation of the investments and financing supporting the plan's implementation. The climate change mitigation plan aligns with the CSRD, as it already requires a similar plan (Frank Bold, 2024). Therefore, all companies covered by the CSDDD should already have a climate change mitigation plan under the CSRD, further demonstrating how the CSDDD builds upon the CSRD. However, the CSDDD now requires companies not only to adopt a plan but to actively implement and monitor it (European Union, 2024). The climate change mitigation plan must be updated annually. Table 3 summarizes these key components of the CSDDD.

Table 3. Key components of CSDDD

CSDDD Component	Key Details
Ultimate scope	<ul style="list-style-type: none"> • Companies with 1000+ employees & 450M€+ annual turnover • Applies to both EU-based companies and non-EU companies operating in the EU • Affects smaller companies through value chains
Value Chain Coverage	<ul style="list-style-type: none"> • Entire upstream supply chain • Limited downstream coverage (distribution, transport, storage)supply chain
Due Diligence Requirements	<ul style="list-style-type: none"> • Identify and prevent negative human rights and environment impacts • Establish due diligence policy • Create and update code of conduct every 24 months • Risk-based approach with prioritization • Monitor effectiveness every 12 months • Implement climate change plan aligned with 1.5°C Paris Agreement goal • Mandatory stakeholder consultation • Establish complaint mechanisms • Public communication through CSRD

4 Theoretical framework for MNCs preparing for the CSDDD

Institutional theory offers a useful way to understand the complex challenges MNCs face in preparing for the CSDDD. It helps explain how companies can take a proactive approach while balancing existing informal sustainability practices with new formal regulatory demands. Understanding the interplay between informal and formal institutions is important for MNCs preparing for the CSDDD since the voluntary sustainability practices (informal institutions) often form a foundation for meeting CSDDD's formal requirements (Frank Bold, 2024). This is especially relevant since the CSDDD has not yet been transposed into national law, and the regulatory landscape is still evolving.

Informal practices within organizations are particularly valuable because they provide an existing foundation that companies can build upon for CSDDD compliance. Many voluntary frameworks include sustainability reporting, stakeholder engagement, and risk assessment that mirror the requirements outlined in the CSDDD. Companies that have voluntarily adopted frameworks like the OECD guidelines and UNGPs typically find it easier to comply with new sustainability regulations. Hou & Smith (2010) observe that normative pressures such as industry standards often become the basis for formal regulatory requirements. Organizations can use their established practices under these voluntary standards to more easily adapt to new legal requirements.

MNCs face unique challenges in CSDDD implementation as they operate across multiple institutional environments simultaneously. These pressures can create conflicting demands, particularly when informal institutions differ from the formal requirements of the CSDDD. MNCs must navigate different local practices and manage relationships with suppliers who may struggle to adapt to stricter requirements. For example, suppliers in Global South regions may struggle to report on human rights and environmental standards, and resistance might arise from increased compliance costs or lack of resources (Smit, 2024). MNCs can address these challenges by identifying specific regional obstacles and developing targeted supplier capacity building programs.

However, MNCs might respond in various ways to these challenges. Some may proactively provide support, while others might respond with compliance pressure, supplier switching, or by limiting operations in challenging regions. Smit (2024) states that a multi-stakeholder collaborative approach is important in adopting CSDDD. For example, if a supplier struggles with environmental audits, MNCs can offer support to help with the process.

For effective preparation, MNCs should leverage their existing voluntary sustainability practices while proactively identifying where informal norms may conflict with formal regulations. This approach enables companies to build on existing frameworks while addressing potential compliance challenges through a multi-stakeholder collaborative approach. The concept of conflicting institutional demands, defined in Oliver's (1991) theory as constituents, helps explain challenges in CSDDD preparation. MNCs face diverse and sometimes conflicting demands from EU regulators, local authorities, investors, and business partners across global value chains. Recognizing these competing pressures allows companies to develop balanced approaches to CSDDD compliance that work across different institutional contexts.

DiMaggio and Powell's (1983) concept of isomorphic pressures provides a framework for categorizing and understanding the institutional pressures. Coercive, mimetic, and normative isomorphic pressures help explain how different institutional forces shape MNCs' CSDDD preparation strategies. MNCs face multiple institutional pressures from regulatory bodies (coercive), global corporate sustainability norms (normative), and industry peers (mimetic), and they must develop responses to the CSDDD that account for these overlapping institutional mechanisms.

These institutional factors shape MNC strategy formation. Peng et al. (2009) propose that managers and companies make strategic decisions that balance business objectives with institutional requirements. The theory also proposes that when formal rules lack clarity (as with the evolving CSDDD) organizations rely more heavily on informal

institutions to guide decision-making. This is the situation many MNCs currently face with the evolving CSDDD regulatory landscape. A company's strategic approach to sustainability, influenced by these institutional pressures, ultimately determines how resources are allocated, which organizational structures are developed, and which implementation methods are selected.

As MNCs navigate the competing pressures from different institutional environments, they must establish sustainability management systems that can respond effectively to these diverse demands. Oliver's (1991) strategic responses can serve as a framework for companies to consider different approaches to CSDDD compliance and help them choose the appropriate strategy. Kostova et al. (2008) emphasize that MNCs can show strategic agency by actively shaping their institutional environments and not passively conforming to external demands. Building on this perspective, companies preparing for the CSDDD may anticipate requirements, engage with industry interpretations, and implement due diligence processes before the directive takes full effect.

Companies can also consider the concept of decoupling and superficial compliance to institutional pressures. It emphasizes integrating CSDDD requirements into core operations and not just superficially adopting them. MNCs can evaluate their internal processes to ensure that CSDDD compliance is integrated into core operations and is not just a superficial add-on. The theoretical framework in Figure 1 illustrates how MNCs can approach CSDDD preparation by building on existing voluntary initiatives while systematically addressing compliance gaps. The framework highlights the need to balance formal requirements with informal norms across diverse markets, particularly in supply chain management. Companies can use this approach to conduct gap analyses between current practices and the directive's requirements.

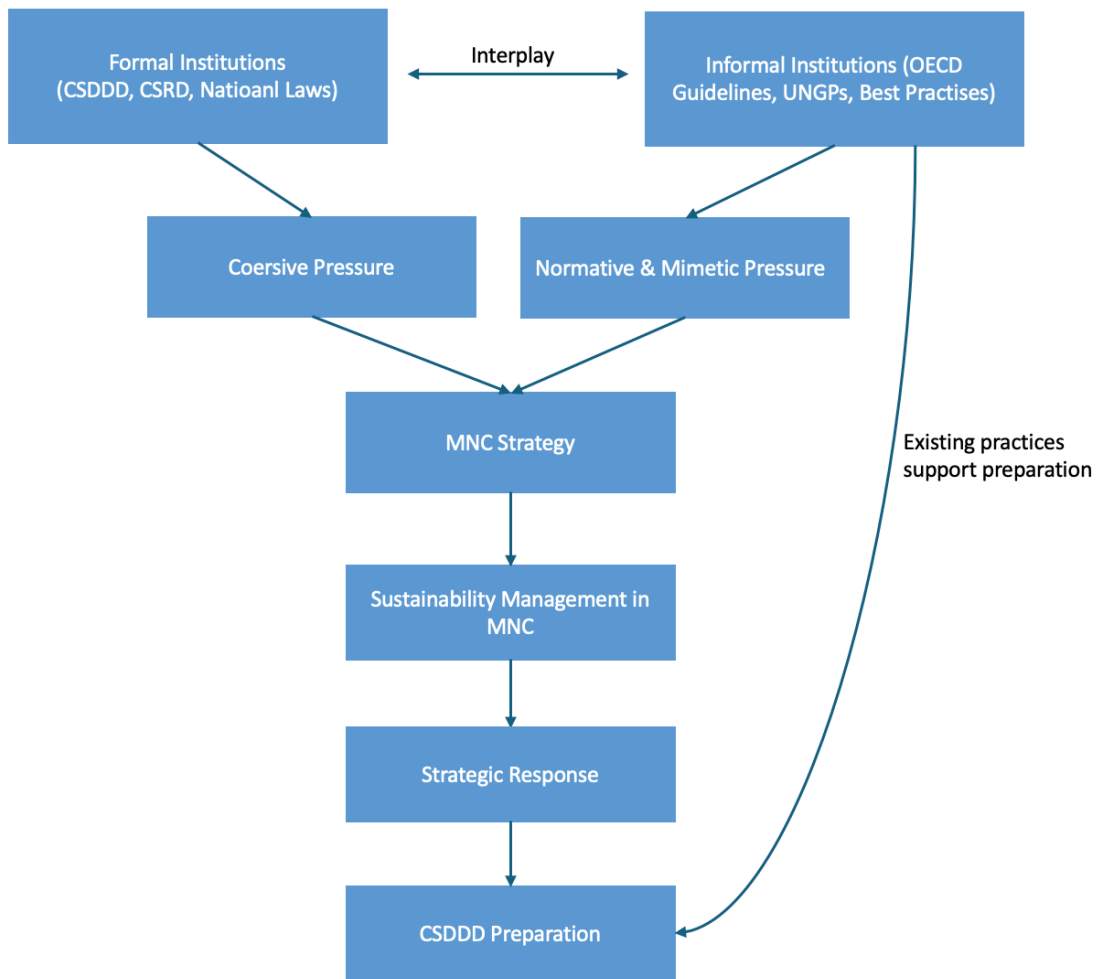


Figure 1. Theoretical framework for CSDDD preparation

This theoretical framework provides the foundation for empirical research and guides the interview questions in several ways. First, understanding institutional pressures (coercive, mimetic, and normative) shapes how we examine the case company's response to CSDDD. The investigation explores how the case company experiences these pressures and how they influence preparation strategies. Second, Oliver's (1991) strategic responses framework helps analyze how the case company responds to the new regulatory pressure. Third, the framework's emphasis on the interplay between formal and informal institutions guides how the case company balances existing sustainability practices with CSDDD requirements and how they leverage these existing practices for compliance. Fourth, the focus on different institutional environments helps assess the complex operating context of global companies and the possible challenges

this brings. This relates CSDDD preparation since companies affected by the directive typically operate in global value chains and diverse institutional environments. Fifth, the concept of strategic agency and sustainability management helps examine how the case company moves beyond mere compliance to strategically prepare for and potentially shape their response to CSDDD requirements.

Despite the theoretical background, several important gaps exist in our understanding of CSDDD preparation that this study aims to address. There is a limited understanding of how to effectively integrate existing voluntary sustainability practices with new mandatory requirements. This represents a gap in understanding the interplay between formal and informal institutions, particularly in contexts like Finland where informal sustainability institutions are well-established. Additionally, while institutional theory explains how pressures shape organizational responses, there is limited understanding of how MNCs translate these pressures into preparatory strategies for upcoming regulations in practice. Therefore, this empirical study aims to explore how multinational corporations can proactively prepare for the upcoming Corporate Sustainability Due Diligence Directive by translating institutional pressures into strategic action.

5 Methodology

In the following chapter, the methodology for this research is presented. The structure of this chapter follows the steps of the research onion proposed by Saunders et al. (2019), who suggest that research methodology should include philosophy, approach, strategy, method, techniques, and procedures for data analysis. The discussion begins with an explanation of the underlying research philosophy and theoretical approach. After that, this chapter justifies why a qualitative single case study approach was selected for this research. Then, the chosen case company is introduced, followed by a description of the data collection and analysis methods. This chapter aims to provide theoretical and practical justifications for the chosen methodology and describe the research process. This methodological foundation is essential for understanding how the research question was addressed through empirical investigation.

5.1 Research philosophy and approach

Saunders et al. (2019) describe research philosophy as the foundational beliefs about knowledge development. In business and management research, Saunders et al. (2019) identify five primary philosophical approaches: positivism, critical realism, pragmatism, postmodernism, and interpretivism. This thesis adopts an interpretivist philosophy, which recognizes that business scenarios involve people, and organizations that cannot be studied in the same way as physical objects or natural phenomena. Interpretivism's emphasis on context and subjective meaning makes it particularly suitable for examining how companies interpret and respond to complex institutional pressures like the CSDDD.

The research approach determines how theory and data are connected, guiding the choice of methods and the interpretation of findings (Saunders et al., 2019). A deductive approach involves drawing on existing theories and developing hypotheses that are then tested in the study (Saunders et al., 2019). In contrast, an inductive approach involves

developing new theories from data. The combination of deductive and inductive approaches is defined as abductive approach. The abductive approach combines elements of deduction and induction, starting with the theoretical framework of institutional theory while remaining open to unexpected findings and emerging patterns in the data. This approach is appropriate for studying MNCs' preparation for the CSDDD, since it allows applying existing theoretical concepts while accommodating the new aspects of the emerging regulatory landscape.

5.2 Research design

This study employs a qualitative research approach with a single case study design. The selection for the qualitative approach was driven by several considerations related to the research question. The nature of the research question "how multinational companies can prepare for the upcoming CSDDD" requires an in-depth understanding of organizational contexts, processes, and challenges. Quantitative methods such as surveys were considered since it could have gathered data from multiple MNCs and potentially provide broader insights about preparation strategies. However, since companies are still in the early stages of understanding the CSDDD, a survey potentially could have captured more surface-level information and not the nuanced decision-making processes and institutional dynamics. Eriksson and Kovalainen (2008) note that qualitative research is particularly suitable when the goal is to understand business-related phenomena in their context and to gain knowledge of concepts in a practical sense.

A qualitative research approach fits the focus on preparation since it requires an understanding of why and how companies approach compliance with the directive. Unlike quantitative methods, which primarily focus on statistical relationships and trends, qualitative research allows for a deeper examination of the underlying motivations, decision-making processes, and institutional pressures shaping corporate responses (Eriksson & Kovalainen, 2008). Additionally, since the CSDDD is a new regulatory framework that companies are still learning to navigate, a qualitative approach helps explore the

complex institutional pressures and organizational responses. The institutional theory framework guiding this research emphasizes the importance of context in shaping organizational responses to external pressures. Qualitative research provides the context to examine how formal and informal institutions interact in CSDDD preparation. Case study research is particularly appropriate for this study as it investigates a real-life phenomenon within its environmental context (Ridder, 2017). This approach aligns with Yin's (2014) emphasis on case studies being particularly suited for addressing "how" questions. In this thesis, this approach helps answer how Finnish MNCs can prepare for the CSDDD.

5.3 Research strategy

This study examines how multinational companies can prepare for the CSDDD, using a Finnish MNC as the case study context. As established in the introduction, Finland is consistently high ranking in international sustainability comparisons (Sachs et al., 2021) and has a long tradition of sustainable development policy (Niestroy et al., 2019; Rouhinen, 2014). However, according to the Ministry of Economic Affairs and Employment (2021), Finnish companies remain in the early stages of implementing comprehensive human rights due diligence. These factors make Finnish MNC particularly valuable for this research. With this context in mind, a single case study approach was selected to enable in-depth examination of CSDDD preparation strategies.

According to Saunders et al. (2019), case studies are particularly valuable when examining new phenomena that have not been extensively studied. Given the newness of the CSDDD, MNCs are still developing their strategies, and comparing multiple companies at this early stage might result in superficial findings. Therefore, a case study approach allows for a detailed examination of how a company approaches this new challenge. Ridder (2017) explains that case studies often use purposeful rather than random sampling, selecting cases specifically for their ability to provide insights into the research question. This approach allows access to internal preparation activities that

would otherwise be difficult to observe or understand through other research methods. Additionally, by focusing research efforts on one organization, this thesis can implement a more complex multilevel research design that examines sustainability practices across different organizational functions and levels (Lervik, 2011). This allows for exploring how different departments within the case company approach CSDDD preparation.

The case company was selected for this study due to the specific characteristics that make it valuable for understanding CSDDD preparation. To maintain confidentiality, the company will be referred to as “Company A” throughout this thesis. First, Company A is a multinational company with significant global reach. It operates around five business areas related to industrial technologies and services, generating net sales of multi-billion euro revenue in 2024. Second, Company A has committed to ambitious climate and sustainability goals aligned with international targets, which makes it an ideal company for analyzing the transition from voluntary to mandatory sustainability frameworks. Third, it has a complex global supply chain with tens of thousands of suppliers across dozens of countries, a large international workforce, and serves a diverse global customer base. Company A has developed systematic approaches to monitor and integrate sustainability into its supply chain processes and is actively working to develop traceability throughout its entire value chain. This combination of international operations, complex supply chains, and established sustainability frameworks makes Company A an ideal case to examine how MNCs can prepare for the CSDDD. Company A’s sustainability journey, which began over a decade ago, provides valuable insights into CSDDD preparation.

5.4 Data collection

This study uses multiple data sources to gain a comprehensive understanding of CSDDD preparation. According to Saunders et al. (2019), case studies benefit from combining different data collection methods, such as interviews and document analysis. Ridder (2017) adds that triangulation is a central feature of case study research since it enables

a more comprehensive understanding of the phenomenon under study. By using both primary interview data and secondary documentary sources, this thesis cross-checked findings to create a more complete picture of Company A's preparation process. This triangulation approach helped improve the research validity (Yin, 2012). For primary data, this thesis conducted seven interviews between February and April 2025. These included interviews with key stakeholders involved in sustainability governance and implementation within Company A (Table 4). The selection of interviewees was guided by the nature of CSDDD requirements, which encompass human rights, environmental impacts, governance processes across the value chain, and management. To capture this broad view, interviews were conducted with professionals across different organizational levels and functions, including sustainability, supply chain, health & safety, and ethics & compliance. Additionally, an external sustainability consultant was interviewed to provide industry perspective and triangulate internal viewpoints.

Table 4. Interview overview

Interviewee	Date of the interview	Duration (minutes)	Language	Mode
Sustainability Professional	4.3.2025	19:35	Finnish	Face to face
Sustainability Professional	7.3.2025	41:35	Finnish	Online
Sustainability Professional	14.3.2025	55:35	Finnish	Online
Ethics & Compliance Professional	24.3.2025	44:44	Finnish	Online
HSE Professional	2.4.2025	55:27	Finnish	Online
Sustainability Professional	4.4.2025	42:33	Finnish	Online
External Consultant	11.4.2025	50:40	Finnish	Online

This study uses semi-structured interviews since it allows exploring how individuals interpret and understand their experiences while maintaining focus on key themes (Saunders, 2019). An interview guide was used to ensure consistency across interviews, but it was adapted to each conversation. The wording and order of questions, as well as the use of follow-up questions, were adjusted based on the interviewee's role and responses. As a result, each interview focused on certain topics depending on the interviewee's expertise and relevance to the research. Notably, this method's disadvantage is that it may make it difficult to compare interviews directly, as follow-up questions may have been asked in varying degree. While this cannot be completely avoided, secondary data was used to support and cross-check the findings.

An interview guide (included in the appendix) was developed based on the theoretical framework, with questions grouped under key themes. The guide followed a funnel approach, starting with broad, general questions and gradually moving to more specific ones. According to Roller and Lavrakas (2015), this method allows first getting the interviewees comfortable to talk about the topic and the interviewer to gather background information that could shape later questions. The five main themes explored in the interviews were current sustainability practices, institutional pressures, due diligence processes, value chain management challenges, and practical CSDDD preparation steps and implementation considerations. Saunders et al. (2019) and Eriksson and Kovalainen (2008) argue that qualitative research is often iterative in nature, with data collection and analysis occurring simultaneously. This research followed a similar approach, and occasionally particularly insightful points raised by participants were incorporated as follow-up questions in subsequent interviews to further explore their relevance.

Interviews were conducted in Finnish to allow interviewees to express complex concepts in their native language which reduced potential communication barriers. Hirsjärvi and Hurme (2004) recommend the use of a common, native language in qualitative research to minimize the risk of misunderstanding. Interviews lasted between 19:35-55:35 minutes, with an average duration of 44 minutes. All interviews were recorded with

permission and later transcribed for analysis. Key quotes were translated into English for inclusion in the findings. The semi-structured approach allowed for pursuing themes and adapting questions based on the interviewee's expertise and responses. This flexibility was valuable for exploring complex themes like institutional pressures and strategic responses. One interview was conducted in person, and six interviews were conducted online through Teams.

The secondary data consisted of Company A's sustainability reports, Annual Reviews, CSRD disclosures, Codes of Conduct, and website. While interviews revealed practical challenges and informal processes, the documentation provided context about the company's official sustainability frameworks. The use of multiple data sources allowed for cross-verification of findings and provided a more comprehensive understanding of Company A's sustainability due diligence and CSDDD preparation processes.

5.5 Data analysis

The data analysis for this research followed a systematic thematic analysis approach as described by Braun and Clarke (2006), which involves identifying, analyzing, and reporting patterns within the data. First, all of the interviews were recorded and transcribed. After that, the analysis continued with getting familiar with the data through careful reading of the transcripts. Then, the transcriptions were analyzed systematically, including categorizing the data which refers to given a code summarising their meaning (Saunders et al., 2019). This coding was done manually using highlighting and margin notes to identify key concepts, processes, and challenges related to CSDDD preparation. These codes were then grouped into themes aligned with the interview guide structure and theoretical framework while remaining open to emergent themes. The initial coding categories included institutional pressures, strategic responses, due diligence processes, and implementation challenges, which were refined through

iterative analysis. Finally, quotes were selected to illustrate each theme in the findings chapter.

The coding structure was developed both deductively, using concepts from institutional theory (such as formal/informal institutions and strategic responses), and inductively, allowing new themes to emerge from the data. This combined approach aligns with the abductive research strategy. The analysis involved examining each interview individually and conducting cross-case analyses where the perspectives were compared across different roles. This approach allowed for identifying patterns in how different stakeholders perceive CSDDD preparation challenges and opportunities. Quotes from interviews conducted in Finnish were translated into English by the researcher, while striving to maintain the original meaning and context.

The theoretical framework guided the research design and interview structure, but the findings are organized primarily around key themes emerging from the data. As Yin (2012, p. 10) suggests, case study analysis benefits from first examining the empirical observations and patterns before applying theoretical interpretations. Yin (2012) suggests five analytic techniques for case study analysis that are pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis. In this study, pattern matching and explanation building were the most applicable. Pattern matching was used to compare empirical findings with theoretical predictions from institutional theory, particularly around strategic responses and institutional pressures. Furthermore, the analysis employed explanation building to develop explanations for how multinational companies prepare for CSDDD by moving between theoretical concepts and empirical observations, and by refining interpretations through comparison across different organizational roles. The theoretical interpretation of the findings is provided in the discussion chapter.

5.6 Validity and reliability of the study

Reliability and validity are fundamental concepts for evaluating research quality (Eriksson & Kovalainen, 2008; Saunders et al., 2016). In qualitative research, reliability refers to the consistency of the research approach and whether similar results could be achieved if the study were repeated (Eriksson & Kovalainen, 2008). Validity concerns whether the research accurately captures what it intended to measure and the generalizability of the findings (Saunders et al., 2019). Both concepts help determine the trustworthiness of research findings.

A challenge with semi-structured interviews is the difficulty of comparing empirical materials due to varying interpretations of interviewees to the same questions (Eriksson & Kovalainen, 2008). Since semi-structured interviews are not standardized, this raises potential concerns about reliability and credibility (Saunders et al., 2016), which need to be addressed. However, the validity of semi-structured interviews can be improved by using effective clarifying questions and exploring the interview responses from multiple angles (Saunders et al., 2016). This method was employed, and during the interviews, the responses were clarified when needed to ensure an accurate understanding of the participants' perspectives. As previously stated, this thesis employed data triangulation by collecting information from multiple sources and complementing interviews with company documentation. This helped verify findings across different data sources and mitigate the possible subjective interpretations of interview data, therefore enhanced the validity (Eriksson & Kovalainen, 2008).

Several steps were taken to enhance the reliability of this study. The research used a detailed interview guide based on the theoretical framework to ensure that all key themes were covered in the interviews. All interviews were recorded and transcribed promptly to minimize information loss. However, it is important to acknowledge that reliability in qualitative research cannot be measured in the same way as in quantitative studies, as the social contexts and interactions are unique and cannot be perfectly replicated (Lincoln & Guba, 1985). Given the context of investigating sustainability practices,

social desirability, described by Grimm (2010) as the tendency of research subjects to give answers they believe are socially acceptable rather than reflecting actual practices, may impact the reliability of this research. This was addressed by emphasizing that there were no right or wrong answers, and the purpose was to understand their preparation process and hear their perspectives. An additional consideration is that most of the interviewees work with ESG matters, which may influence their responses and the findings of this study. Therefore, it is possible that the interviews may not reflect how sustainability is viewed across the broader organization, where priorities may differ. Again, data triangulation was applied to address this possible limitation through analysis of company documentation, providing a more comprehensive view of the organization.

As a single case study, the findings may not generalize beyond Company A. What works for the studied multinational corporation might not apply to companies operating in different contexts or industries. This is partly addressed by providing description of the case context to help readers assess how the findings can be transferred to other settings. However, it is important to note that a single case study does not aim for statistical generalization. Instead, it provides analytical generalization and insights into the theory (Yin, 2012). In addition, the study's timing may introduce certain limitations. This research focuses on preparation strategies before the directive has been implemented, and while this aligns with the research objectives, it may raise some challenges. Since the research was done before the CSDDD took effect, it captures companies' intentions, planning processes, and early adaptation efforts, but it does not necessarily capture the compliance outcomes. Future research examining actual implementation after the directive takes effect would complement this study. Furthermore, as the CSDDD was still evolving during the research period with the changes proposed through the EU Omnibus Amendments (European Commission, 2025), this may affect the long-term applicability of some findings.

6 Findings

The findings are organized into three key themes that emerged during the analysis: current sustainability approach and institutional drivers, sustainability due diligence implementation, and strategic preparation to CSDDD. This chapter presents the key empirical findings of the study based on the interviews and document analysis.

6.1 Sustainability approach and drivers

This section provides an overview of Company A's current sustainability approach and examines the factors driving these practices, setting context for the findings on due diligence implementation and CSDDD preparation. All interviews began with open-ended questions about the company's general approach to sustainability. This provided insights into how sustainability is understood and implemented across different functions within the company. Several themes emerged from the interviews regarding the company's approach to sustainability. The strategic positioning of sustainability was consistently emphasized, with 5 out of 6 Company A interviewees specifically describing it as a core strategic priority.

"Sustainability and sustainable development are at the center of Company A's strategy and also very strongly part of the business. It is guided by the Sustainability Agenda, which includes goals for Company A's sustainability work and different value chain stages."

Additionally, all interviewees from Company A emphasized the long-term and evolving nature of their sustainability journey.

"We've been doing this for a long time. Risk identification and management of responsibility have been at the core for a long time."

"Company A has had these processes in place for over ten years, since 2014. We've wanted to operate responsibly with our supply chains and have continuously implemented additional steps... We don't want to do unethical business."

Company A's website (2025) reinforces these findings by describing sustainability as an integral part of its strategy that provides structure for its decisions and performance indicators. Sustainability is integrated through its Sustainability Agenda and Climate Program. The agenda includes ESG perspectives across the value chain and aligns with the United Nations Sustainable Development Goals. According to the website, sustainability is embedded in the company's annual planning process as a core element of its business strategy. Company A's Financial Statements (2024b) describe the company's mission and core purpose as converting resources into sustainable results. This strategic importance is also evident in Company A's Annual Review (2024a), where sustainability is identified as one of its four strategic priorities. To summarise, Company A demonstrates a long-established approach to sustainability that integrates multiple frameworks and perspectives. This foundation of voluntary practices and strategic commitment provides an essential context for understanding their CSDDD preparation efforts.

The interviews revealed that Company A's sustainability practices and CSDDD preparation are shaped by multiple influences rather than a single driving force. Regulatory requirements create significant pressure, but market expectations, industry standards, and the company's own strategic priorities influence its sustainability strategy. No single pressure dominates, but these forces interact and shape how Company A approaches sustainability and CSDDD preparation.

"Certainly all factors have an influence, and one cannot single out just one. But undoubtedly regulation strengthens how we must direct our actions and allocate resources. But customers certainly also influence this, and overall, it's been chosen as part of our strategy because it's important for business."

Several interviewees noted that Company A was pursuing sustainability efforts even before they were legally required, which indicates that their practices are not only regulatory-driven.

"We've been doing sustainability reporting for a long time before it became legally required through CSRD, so it's not just driven by regulation."

However, regulatory pressure, especially the new EU legislation, was pointed out as a driver for their sustainability practices.

"EU legislation has certainly pushed things forward in recent years, as more and more ambitious legislation has come from the EU. It has already raised the level of ambition quite high."

Additionally, industry standards and frameworks were identified as factors influencing Company A's sustainability approach. In particular, interviewees often described how existing voluntary frameworks, such as the OECD Guidelines, UN Guiding Principles, and the Science-Based Targets Initiative (SBTi), serve as the foundation for their current practices. This alignment with international frameworks is also documented in Company A's Financial Statements (2024b), which reference frameworks such as the OECD Guidelines, UNGPs, and SBTi. For instance, one interviewee mentioned that external industry standards shape their climate strategy.

"We've sought approval from the Science-Based Targets Initiative organization, which sets an appropriate ambition level and targets for companies' climate objectives in line with the Paris Climate Agreement...We calculate our emissions according to the GHG Protocol, which is a standard method for calculating emissions."

Additionally, industry norms were mentioned as a force that shape their documentation practices. Interviewees described how Company A regularly updates its documentation to align with industry standards, such as the recent adoption of a new Supplier Code of Conduct format. The company's compliance framework also draws from international

best practices, including American regulatory guidance and ISO standards. Beyond regulatory and industry pressures, internal organizational values were recognized as a strong driver.

"Perhaps it is nevertheless the case that in Company A, the biggest reason why we do any sustainability work at all is very values-driven...The culture of doing things right and those values are perhaps still the force that moves things forward the most."

"We want to make ethically right decisions, not just legally correct decisions."

Additionally, one interviewee mentioned benchmarking as an influence on their practices.

"I've looked at benchmark reports to understand how many misconduct cases should come in for a company our size, based on the number of employees."

Interestingly, one interviewee noted that industry practices may not always align with sustainability goals, suggesting that customs in certain sectors can sometimes hinder rather than promote responsible business conduct. In addition to these drivers mentioned in the interviews, Company A's Financial Statements (2024b) acknowledge that sustainability-related issues can materialise in potential risks to the company's reputation and business performance, indicating that risk mitigation is also a factor that drives the company's sustainability practices. All in all, Company A's sustainability practices are shaped by multiple interacting forces rather than a single driver. While regulatory pressures are significant, market expectations, industry standards, and internal values all play important roles in guiding their approach to sustainability and CSDDD preparation.

6.2 Due diligence implementation and challenges

This section presents key findings on how Company A implements sustainability due diligence. It highlights how the organization identifies and mitigates human rights and environmental risks in its operation. Additionally, this section presents challenges identified in the due diligence process, with a specific focus on supply chain due diligence.

Company A's Financial Statements (2024c) contain its Report of the Board of Directors, which includes a sustainability statement aligned with the EU Corporate Sustainability Reporting Directive (CSRD). The sustainability statement showcases their due diligence framework that is based on international standards such as the UNGPs and OECD Guidelines. It states that Company A is committed to identifying, addressing, preventing, and limiting negative impacts on environment and people connected to its business. The company has developed a structured approach to sustainability due diligence that divides responsibilities across three value chain segments: upstream (supply chain), own operations, and downstream (use phase of technology) (Company A, 2024c). For each segment, the framework establishes five due diligence steps: embedding in governance through policies, identifying and assessing adverse impacts, taking corrective actions, engaging stakeholders, and tracking performance.

Despite the structured framework documented in company materials, six interviewees specifically mentioned that the due diligence work is an ongoing process rather than a finished state. Document analysis and interview data both confirmed recent developments in the company's due diligence process, which include an updated supplier code of conduct, revised supply chain policy, new risk assessment procedures, enhanced sustainability assessments, updated human rights impact assessments, and updated supplier auditing practices.

"The networks are really complex, so it's probably also a fact that those risks cannot be perfectly managed. You can only build a better and better functioning system that could calibrate in such a way that most things or the most important

or most blatant risks are brought under control. It's a continuous collaboration with the value chain and continuous calibration of the system itself so that it would respond to the risk situation in which we operate."

Regarding climate, Company A's approach demonstrates the similar dynamic and evolving nature, particularly in their updated climate goals. Interviews revealed that Company A aims to reduce scope 1 and 2 emissions by 80 % by 2030 from the 2019 baseline. According to Company A's Annual Review (2024) it has decreased by 49 % since 2019. When discussing the progress, one interviewee emphasized energy efficiency measures and the type of energy used in their production units.

"A major factor is the type of energy. It can be renewable, nuclear, or bioenergy. But we're also implementing energy efficiency measures and considering location-specific improvements."

The interviews revealed that Company A's health and safety due diligence follows a similar risk identification and mitigation process as other sustainability areas. Specifically, HSE risk assessment includes multiple levels such as task-, equipment-, environment-, and chemical-specific risk evaluations. On the HSE side, preventative measures and learning from previous cases emerged as a critical theme in the interviews.

6.2.1 Process and risk assessment

The continuous development of Company A's due diligence process is reflected in the company's formal risk assessment process. According to Company A's website (2025), each business line conducts annual assessments of the likelihood and severity of environmental risks and determines the priority of actions to remove, mitigate, and manage the risks. For this process, they use a risk profile that outlines potential threats across strategic, financial, operational, and hazard dimensions (Company A, 2024d). In addition to the general risk assessments, Company A's Financial Statements (2024c)

point out that the company conducts detailed risk assessments specifically for sustainability reporting by analyzing disclosure requirements in the ESRS standards and evaluating individual data points. The company documentation outlines their general approach, but the interviews revealed more specific methodologies for sustainability risk assessment.

The importance of effective risk assessment emerged in multiple interviews. Several interviewees emphasized that the goal of their sustainability due diligence process is to identify areas of highest risk, which one interviewee described as “hot spots”, that guide the development of targeted corrective action plans. The interviews revealed that the main risks typically fall into three main categories: geography-based, material-based, and activity-based risks. These risks are amplified by the company's massive operational scale, project-based business model, and complex subcontracting chains.

“There is risk geographically, but the risk is emphasized even more in different categories. When we purchase different products, we categorize them. Those involving external labor or subcontracting have much higher risks... You can definitely notice that these are high-risk areas for us that we need to focus on.”

The regional differences in sustainability priorities and maturity levels emerged as a consistent theme as four interviewees mentioned geographical variations as a factor that complicates the risk assessment process. Interviewees identified specific challenges across different regions, including working hour concerns, lower environmental awareness, and varying levels of safety culture globally.

“Geographically, there are really big differences between different areas. Each place has a slightly different focus and different maturity.”

Interviewees identified emissions from the value chain as particularly challenging to address, where purchased goods and services is the largest contributing category. In that segment, four interviewees specifically mentioned steel as one of the key risk areas. One

interviewee noted that the company aims to increase the use of recycled steel, but limited availability presents challenges. Additionally, when discussing risk areas, specific types of project sites were identified as high-risk environments for health and safety concerns.

"The largest risks are definitely at project sites, where we do large lifts, work at heights, and have confined spaces."

The interviews revealed that the risk assessment process consists of multiple stages with increasing scrutiny based on the severity and likelihood of the risk. At the center of the process is the Supplier Code of Conduct which all suppliers are required to comply with. It outlines expectations regarding sustainability due diligence, human rights, environmental responsibility, business ethics, and grievance mechanisms (Company A, 2024e). Additionally, all new suppliers undergo automatic screening, which includes scanning for information related to legal cases and sanctions.

"We want to identify our business partners to ensure that we're not doing business with companies that, for either ethical or legal reasons, we wouldn't want to do business with."

This automatic process helps identify if a supplier has violated significant laws or has previously been involved in legal investigations. However, one interviewee noted challenges with this screening system, particularly for environmental matters.

"I see this as one tool we should utilize in our work related to the Corporate Sustainability Due Diligence Directive. However, the process is originally built with a focus on identifying sanctions-related risks, not specifically for CSDDD. Since the tool is primarily designed for sanctions screening, when it comes to environmental violations, that heavily depends on the country and whether their records are publicly available."

After the initial screening, a country- and category-based risk classification is applied. The risk structure was updated last year, and all suppliers are classified according to it. Based on this classification, a risk rating is assigned, and the higher the supplier's risk level, the more steps are added to the process. One of these additional steps is the sustainability self-assessment, which provides a score indicating the supplier's maturity in sustainability practices. The reliability of self-assessments was acknowledged as a potential concern. Two interviewees also noted that cultural context and different interpretations of questions might affect how suppliers respond to these assessments. However, self-assessments serve as just one data point among many and function as an indicator rather than a definitive measure.

For suppliers identified as higher risk, Company A may conduct third-party sustainability audits. The interviews revealed that the company audits over 40 suppliers annually. Since 2015, Company A has conducted approximately 450 supplier sustainability audits globally using a certified third-party auditor following the SMETA framework (Company A, 2024c). It was acknowledged in the interviews that the number of audits may seem low compared to the total supplier base, but the audits, therefore, focus on those with the biggest risks identified.

"It's clear that it's a small amount compared to the total, but definitely we focus on those suppliers with the largest spend and risk. We take into account how critical they are to us, and then also the category, if we see that the category risk is elevated."

However, it was noted that the spend category is not always sufficient for identifying all significant risks since the biggest impacts may sometimes be found in smaller suppliers. For the most severe cases identified through the assessment process, Company A can conduct deeper human rights impact assessments.

"Human rights impact assessments are an excellent tool, but we only conduct a few each year. We need to be very selective about where we deploy them."

This approach reflects the practical reality of limited resources while still allowing for more intensive investigation when needed. The outcome of the risk identification process results in a corrective action plan. It was emphasized in interviews that suppliers are expected to begin working on these plans to improve their overall quality, and Company A monitors the success of the corrective actions.

"The goal is that 80 percent of these corrective actions are verified within a year of the audit. We also assess how long it will take them to complete, so we define a deadline for these corrective actions. This is monitored, and we report progress using Excel and Power BI reports to track how this work is progressing."

This approach is evident in company documentation, which outlines the KPIs, such as the number of audits and the number of engaged suppliers, the company follows to monitor the sustainable supply chain process (Company A, 2024c). However, the interviews emphasized that the quality of these processes matter more than just the numerical targets. As one interviewee expressed, the focus is not only on how many suppliers are audited, but specifically which high-risk suppliers are selected for auditing. The importance of prioritization was a central theme that was identified in all seven interviews. Specifically, three interviewees highlighted prioritization as a critical aspect due to Company A's extensive operations in multiple countries with tens of thousands of suppliers. The importance of effective risk assessment was also highlighted in the prioritization approach since it allows the company to strategically allocate resources toward the highest-risk areas. For instance, while the supply chain due diligence processes described in the previous section appear comprehensive, the company faces practical constraints in scale.

"This year, for example, we'll audit about 50 suppliers. It's already quite a big effort for a company."

Given that these audits represent only a fraction of Company A's total supplier base, the company's prioritization approach becomes a crucial element of its overall due diligence strategy.

"We need to focus our efforts where the risks are highest and where we can have the most impact. We simply don't have the resources to conduct in-depth assessments across all suppliers."

Overall, Company A has a structured risk-based approach to sustainability due diligence across their value chain. This multi-stage process allows them to focus resources on suppliers and activities with the highest potential for adverse impacts. However, interviewees identified this as an area for ongoing improvement and development.

6.2.2 Value chain complexity and visibility

Value chain complexity emerged as a recurring theme, mentioned by 5 out of 6 Company A interviewees, with particular emphasis on visibility challenges. The complex operational structure of Company A was mentioned as a factor that exacerbates the visibility challenges, as it complicates efforts to maintain consistent due diligence practices across diverse contexts.

"Visibility beyond the first tier is quite poor."

"If we think about the steel value chain... the steel supplier could be at the fourth or fifth tier, and maybe at the seventh tier is the mine. So for us, that could mean eleven chain links."

Multiple interviewees mentioned that Company A's global scale and the nature of their project-based business model exacerbates the visibility challenges. Supplier relationships are often dynamic and relatively short-term in project-based business, which can limit opportunities for deep collaboration and long-term visibility.

"When we start a project, we want to make many purchases locally... This always expands our supplier base and makes it more complex. If you concentrate volumes with the same suppliers year after year, your visibility improves and cooperation deepens. When we're constantly changing suppliers based on projects, it doesn't give us the best position to work on improving visibility."

Company A's Financial Statements (2024c) support this by stating that increasing procurement close to the projects is a strategic priority. However, adding to these challenges is the time-sensitive nature of the projects, which can create additional pressure.

"Sometimes, time pressure can be our biggest enemy. There isn't always time to thoroughly go through everything, and if schedules get tighter, subcontractors end up under more stress."

Three interviewees noted that the visibility challenges are especially prevalent in site subcontracting. Sometimes the subcontracting arrangements are multi-tiered, which can create visibility challenges in the supply chain. This demonstrates the broader complexity challenges that make comprehensive due diligence particularly challenging in project-based operations. In response to these challenges, Company A has developed specific approaches to enhance visibility deeper in its supply chain. According to Company A's website (2025), the company has implemented an auditing process for site work suppliers to mitigate risks, monitor subcontractor compliance, and enhance supply chain visibility. This reflects the company's efforts to address supply chain visibility challenges throughout the value chain. The visibility challenges also affect the company's ability to address environmental impacts. One interviewee noted how these barriers limit the company's influence.

"It's difficult to get far enough along in the chain to be able to influence the largest portion of those emissions when there are so many intermediaries."

These visibility limitations also affect measurement accuracy. Interviewees highlighted opportunities for enhanced KPIs, particularly for measuring environmental impacts across the value chain. One challenge identified was the current use of spend-based emission factors for calculating Scope 3 emissions.

“For our Purchased Goods and Services category, we use spend-based emission factors. If we could use material-specific factors or get that data directly from suppliers, we'd be at a much more accurate level. The absolute number itself isn't what matters, but when we implement emission reduction measures, we could make them visible if we had better data.”

This observation reveals how current estimation methods provide only rough approximations and not precise data based on actual materials or processes. Company A has begun exploring this opportunity by conducting an initial survey for suppliers to collect information about their sustainability targets and reduction measures. As the interviewee noted, transitioning to supplier-specific data would enhance their ability to track meaningful progress beyond basic reporting requirements. Beyond climate, biodiversity has emerged as a growing focus area for the company's environmental due diligence. However, interviewees highlighted measurement challenges.

“It's really much more challenging (than climate) because there isn't just one metric. There is no global metric that we can use. And biodiversity impacts are always location-specific: you really need to think about what's happening in that specific area, what risks exist there, and how much we use resources like forests and such things.”

Despite these measurement challenges, Company A's Financial Statements (2024c) reveal that the company has conducted an initial biodiversity assessment and is adopting new approaches to biodiversity assessments such as the WWF Biodiversity Risk Filter. Furthermore, a consistent theme across several interviews was the different maturity

levels between upstream and downstream due diligence processes. Company A's upstream processes for supplier management were described as more developed than their downstream processes. For instance, regarding the climate side, one interviewee highlighted a specific challenge with downstream emissions. The interview noted that this creates a significant challenge for downstream due diligence since Company A has limited visibility and control over how its products are used once sold.

"From our products' use phase emissions... 95 percent of our total emissions come from the use phase... it's really challenging because we don't ultimately know what energy the customer uses."

According to Company A's Annual Review (2024), scope 3 emissions account for the vast majority of its total greenhouse gas emission. The overwhelming share of emissions in Scope 3 demonstrate the need to address downstream impacts as well. The interviewees added that the long lifecycle of the company's equipment of approximately 25 years adds to the challenge. However, according to Company A's Annual Review (2024), all technologies are designed to enable fossil-free energy sources. The Annual Review (2024) also indicates that improving the green transition in their customer industries is a strategic goal for Company A. Interestingly, one interviewee noted that their services business line provides a strategic opportunity to address these impacts.

"We aim for our equipment to be as long-lasting as possible... We can upgrade, convert, retrofit, and service equipment as long as possible rather than building new capacity."

To summarize, value chain complexity presents challenges for Company A's due diligence efforts. The company has responded with targeted initiatives like specialized supplier auditing processes, but challenges remain in visibility beyond first-tier suppliers, particularly due to the project-based nature of their operations. The findings reveal that the most significant risks combine multiple factors: they tend to occur in a combination of geographic regions with lower sustainability maturity, activity types involving external workforce (especially in project-based contexts), and specific material categories with

environmental impacts. However, these factors remain a strategic priority to Company A.

6.2.3 Stakeholder engagement

A recurring theme that was mentioned in six interviews was the importance of supplier engagement in the sustainability due diligence process. Company A's formal documentation supports this by stating that they maintain active dialogue with stakeholders such as its own workforce, customers, research institutes, shareholders, and other partners (Company A, 2024c). The interviews revealed that Company A invests in supplier capacity building through its Partner Academy platform, where sustainability training is available for suppliers. Additionally, the company has organized supplier days for more intensive training, though this tradition was interrupted by COVID. However, one interviewee mentioned that they plan to relaunch these events and continue the supplier training efforts. The external sustainability consultant interviewed for this study noted that meaningful stakeholder engagement is a significant challenge for many companies.

"Stakeholder engagement is an incredibly difficult task, especially how it should be conducted throughout this entire process, and to do it in a way that would be meaningful and somehow sensible."

Indeed, this challenge was acknowledged in multiple interviews, and a couple of interviewees mentioned that Company A could improve their stakeholder engagement and communication.

"We need to be able to communicate what it (environmental management) really means, how they (suppliers) can create those impacts."

"In our business line, we've focused on improving the communication: what has been observed in the risk assessment, so everyone in the project knows that risk"

assessment has been done and what has been found. We also need to better communicate during the orientation when people start working at the site, to more clearly highlight the risks and how we're prepared for them. This is something that should perhaps be considered more broadly across the company."

According to Company A's website (2025) and Code of Conduct (2024c), the company encourages employees and stakeholders to raise concerns about violations or misconduct through its grievance mechanism, which is available via telephone or the internet. However, two interviewees mentioned that Company A could improve its communication of the grievance mechanism to ensure all stakeholders are aware of its existence. Interviewees also identified opportunities to enhance stakeholder engagement through knowledge sharing. One interviewee suggested sharing success stories in their supplier network by highlighting suppliers who have achieved impressive results, for example, emission reduction, through specific actions. A challenge, however, is that Company A has limited visibility into such success stories. Company A has recently conducted its first survey of committed suppliers to gather information about cases where emission reductions have been achieved. According to the interviewee, this approach could enable suppliers to learn from other's sustainability achievements and strengthen Company A's stakeholder engagement. A significant theme that emerged across several interviews regarding stakeholder engagement was the emphasis on supplier collaboration rather than immediate termination.

"Even when we identify issues, the idea is to work together to improve the situation and not to reject the supplier immediately, but to analyze what needs to be improved in order to continue the cooperation."

However, as a last resort, the company reserves the right to terminate partnerships, and interviewees acknowledged instances where they had to end supplier relationships due to unresolved issues.

6.3 CSDDD preparation

As the previous section demonstrates, Company A has established structured sustainability due diligence processes across its value chain. However, the upcoming CSDDD regulation introduces additional factors that require specific preparation. This section presents findings on the concrete steps Company A is currently taking and the key areas identified for development to ensure CSDDD compliance, including cross-functional collaboration, employee training, and internal process strengthening. A fundamental principle that emerged from the research is that effective CSDDD implementation requires an approach that is tailored to the company's specific context and not a generic compliance strategy.

"I would say that the most important thing here is to make this look like your own company's approach...Do the gap analysis, know where your gaps are in your due diligence processes throughout the value chain, then you're ready to make an action plan."

This principle of adapting compliance to organizational context is clearly reflected in Company A's preparation strategy. For Company A, this tailored approach means leveraging their established sustainability infrastructure and maintaining focus on their specific due diligence needs and risks. Interviewees consistently described how Company A's approach to CSDDD preparation builds upon their existing voluntary initiatives rather than creating entirely new processes. Many interviewees emphasized that their due diligence foundations were established before the directive was proposed and that they leverage existing frameworks that the company has already implemented voluntarily. Additionally, the interviews revealed that CSDDD preparation process focuses on internal assessment. This includes evaluating which existing processes fall under the due diligence requirements, identifying the most relevant procedures, and determining documentation needs.

"Currently, we're reviewing our internal processes and identifying which ones fall under this due diligence process. We're examining which are seen as the most essential processes. We've already been doing various risk assessments and sustainability analyses for a long time, but now we're examining them more carefully to determine which are relevant and fall under this regulation."

A theme that emerged multiple times in the interviews was the current regulatory uncertainty around the CSDDD. However, many interviewees noted the company's decision to maintain their established approach regardless of potential regulatory changes.

"Even if this regulation's scope would now be narrowed, our sustainability work specifically wants to cover the entire value chain and take impacts into account broadly."

"Perhaps in the implementation, there's a bit of a wave movement back to the roots of how we've thought about this before, especially if the CSDDD doesn't become more ambitious than the voluntary guidelines."

Two interviewees emphasized that regardless of regulatory changes, their due diligence approach would continue to be built on foundational frameworks such as the OECD Guidelines and UNGPs. There was also a visible pragmatic view to balancing the changing regulatory landscape. One interviewee demonstrated that the company adapts its practices to align with specific regulatory requirements while maintaining their broader sustainability vision.

"We monitor how legislation and regulation change and then react to those changes when necessary."

Despite the uncertainties, five interviewees emphasized the inherent strategic value of strong due diligence processes beyond mere compliance.

"This is essentially a tool for risk-based identification of corporate responsibility issues... regardless of what happens with the omnibus, this should be in place in your company so you can manage these questions sensibly."

Three interviewees mentioned that improved documentation of existing processes would be beneficial, regardless of the final scope of the regulation. According to the interviews, the company plans to systematically document its approaches more thoroughly in preparation for compliance requirements. Company A has not publicly published documentation about CSDDD preparation. However, their Supplier Code of Conduct (2024e) refers to the CSDDD as one of the international standards it is based on, indicating that the company is formally integrating the directive into its documentation.

Successful CSDDD implementation requires addressing both organizational and technical considerations. Multiple interviewees revealed an awareness and willingness to improve their approaches to fit the CSDDD requirements better.

"We need to constantly raise our level. We've been pioneers in sustainability matters for many years, but as these requirements are incorporated into laws at a more detailed level, we may not have the system capabilities in every area. Our current systems may not serve all these current and future requirements."

For example, several interviewees highlighted the need for clear organizational responsibilities for due diligence processes as a critical factor in effective CSDDD implementation.

"How to move forward and the responsibility in organization for advancing this due diligence is perhaps the biggest thing companies are lacking."

This aligns with observations at Company A, where sustainability responsibilities are distributed across multiple functions. According to Financial Statements (2024c),

sustainability is operated through different administrative, management and supervisory bodies such as the Board of Directors and the Executive Team, among others. The complexity of CSDDD implementation requires cross-functional integration and leadership involvement. As the directive includes aspects of human rights, environmental impacts, governance, communications, and reporting across the entire value chain, effective implementation requires coordination across separate business functions. The perspective that sustainability due diligence cannot be isolated but requires clear responsibility allocation and accountability mechanisms supported by management was noted several times in the interviews. The governance structures demonstrate the company's effort to establish clear responsibility pathways for sustainability due diligence. However, interviewees noted challenges in embedding these processes into everyday operations and the importance of sustainability integration into business decision-making beyond compliance structures.

"While sustainability policies exist, ensuring consistent implementation across all business units remains challenging."

"I would like these issues to be integrated into the business in such a way that they are included in all decision-making. That CO2 would be there alongside euros."

The external consultant interviewed for this study noted that management engagement can be a challenge in maintaining momentum for due diligence implementation. This demonstrates the tension between establishing due diligence processes and maintaining consistent resource allocation.

"All corporate responsibility professionals understand what the point of this is, but what's hardest to get through is management. Then there's the management team saying, 'Hey, we've seen news that this corporate responsibility law isn't coming, so shouldn't we take all the money away from this now?'"

Internal training emerged as another critical aspect for effective CSDDD preparation in the interviews. Company A's Annual Review (2024a) mentions employee training on various topics including Code of Conduct, human rights, sustainable supply chain, and anti-corruption. However, three interviewees suggested that internal training could be enhanced further, particularly for due diligence processes, since effective training serves multiple important functions. According to the interviewees, internal training enhances staff capacity to identify potential human rights and environmental risks, improves the efficiency of risk detection across operations, and strengthens the organization's ability to implement appropriate remediation measures. By raising internal awareness and understanding of sustainability issues, Company A can create more sensitive early warning systems for potential adverse impacts throughout their value chains.

"Now that we've launched a new Supplier Code of Conduct, the intention is to widely train our own staff. When we raise internal understanding of these issues, I believe and hope that it helps us identify these risks and raise them more sensitively."

"I believe there would be benefit from face-to-face workshop-type learning where we can really discuss actual supplier cases."

One interviewee suggested that training could benefit from more interactive approaches that allow engaging with concrete case examples rather than relying solely on standard online learning modules. Beyond organizational and training considerations, the interviews revealed that technical systems play a role in CSDDD readiness. Specific technical limitations were identified that may impact CSDDD implementation. These include current risk assessment tools, data management capabilities, and visualization systems.

"Maybe I would want to develop processes in the sense that we could visualize more data and thereby utilize it more in decision-making and visualize suppliers'

sustainability performance in such a way that it would become part of the decision-making when making those procurement decisions."

While several interviewees acknowledged the need for improved systems, many emphasized that new solutions should integrate with existing processes rather than operate as new isolated tools. They noted the challenge of finding solutions that build upon current processes and enable enhanced analytical capabilities without requiring complete restructuring of the processes. While the interviews demonstrated that implementing new systems is not straightforward for a large company with established processes, multiple interviewees revealed a clear interest in exploring new innovative approaches, for instance the potential future application of AI for due diligence work.

7 Discussion and Conclusions

This chapter connects the key findings to the theoretical framework and addresses the research question of how multinational corporations can prepare for the Corporate Sustainability Due Diligence Directive. This research was motivated by both practical and theoretical needs. Practically, companies face uncertainties as the EU introduces a complex new sustainability regulation, with its broad scope, new terminology, and evolving implementation guidance. Theoretically, there is limited understanding of how organizations navigate different institutional pressures, particularly the interplay between established informal institutions and emerging formal requirements (Aragón-Correa et al., 2020; Tolmie et al., 2020). Due to the CSDDD's recent introduction and limited prior research linking institutional theory to sustainability due diligence, this study uncovered several novel insights. This section presents a summary of key findings, theoretical implications, managerial recommendations, and research limitations along with suggestions for future research.

The research revealed that Company A views sustainability as a core strategic priority, which is deeply embedded in its business functions. Their sustainability approach has evolved over multiple years, building on international frameworks such as the UN Guiding Principles and OECD Guidelines. Company A faces multiple institutional pressures, especially when regulatory requirements interact with market expectations, industry standards, and internal values. The long-term journey is reflected in their sustainability due diligence processes, which use multi-stage risk identification to focus resources on the highest-risk areas in their complex global operations. The findings indicate that Company A's scale and project-based business model create unique challenges for sustainability due diligence. The dynamic nature of supplier relationships and relatively short-term contracts limit opportunities for deep collaboration and long-term visibility. Company A's supply chain due diligence process involves multiple steps and continuous monitoring of corrective actions, though the scale of operations can make frequent follow-ups challenging. Regarding CSDDD preparation, Company A has taken steps to address the directive's requirements, building upon existing voluntary

guidelines and internal processes as a foundation. However, the company recognizes areas that could benefit from development, including improved documentation, internal training, updated technical systems, and clearer organizational responsibilities. Overall, Company A demonstrates a proactive approach to continuous improvement and commitment to upgrading their due diligence processes.

7.1 Theoretical implications

The following discussion aims to extend the theoretical framework presented in Chapter 4 and provide new insight into how MNCs navigate emerging formal institutions in the context of sustainability due diligence. This chapter analyses how the empirical findings relate to each component of the framework: institutional pressures, interplay between formal and informal institutions, MNC strategy, and sustainability management implementation. Company A illustrated how formal and informal institutions interact in shaping multinational companies' sustainability practices. The company demonstrated strong informal institutions, which were evident in its adoption of various voluntary sustainability frameworks. Additionally, Company A has adopted formal institutions, especially recently, in response to new EU regulations such as the CSRD. The interviews revealed a nuanced relationship with informal institutions. While voluntary frameworks serve as positive informal institutions that guide the company's approach, interestingly, the research identified certain industry customs as informal institutions that can sometimes hinder sustainability progress. This demonstrates that MNCs must sometimes navigate conflicting institutional pressures, illustrating North's (1990) concept of how formal and informal institutions simultaneously shape organizational behavior in the sustainability context.

Aligned with insights from institutional theory (Kostova et al., 2008; Scott, 2005; Stringer & Michailova, 2019), Company A is subjected to multiple institutional environments. This is particularly prevalent in their extensive operations and large supply chains due to the global nature of their business. The empirical evidence demonstrated that some of

the company's supply chains are located in areas that operate under different informal institutional environments with weaker governance. Among other factors, cultural differences are prevalent, as informal institutional environments and local practices may vary in how ESG factors are understood and implemented. These institutions coexist (Tolmie et al., 2020) and the CSDDD will need to be applied across these vastly different environments. The varying maturity across different segments of Company A's value chain further illustrates the institutional complexity and reflects the challenges of implementing formal institutional requirements in areas where informal institutions have relied longer on informal practices.

A revealing theoretical insight emerged from how Company A responded to regulatory uncertainty. When discussing the evolving CSDDD requirements, interviewees described "returning to the roots", suggesting relying on the established voluntary frameworks and practices when formal requirements remain unclear. These roots and internal values, which have developed over many years, provide stability during uncertainty and reveal a theoretical insight about institutional resilience. While institutional theory recognizes that formal and informal institutions coexist (North, 1990), this study demonstrates how strong informal institutions create a form of organizational resilience that has not been fully explored in the existing literature. This finding is particularly relevant given the current geopolitical climate where formal regulations may shift with political priorities.

The empirical study did not show major conflicts between informal and formal institutions, which may be due to the context of Company A. Informal sustainability institutions are relatively strong in Finland and within the company, which is why adopting formal institutions may appear easier. This suggests that companies in environments with strong informal sustainability norms may have an easier preparation path for CSDDD. In contrast, those in environments with weaker or opposing informal sustainability norms might face greater challenges and require different preparation strategies. Understanding this context helps explain why certain preparation

approaches work better in some environments than others, highlighting that there is no single universal approach to CSDDD preparation. These institutional environments produce different isomorphic pressures that shape Company A's sustainability practices. The findings demonstrate that the company experiences all three types of isomorphic pressures identified by DiMaggio and Powell (1983). Coercive pressures emerge primarily from the upcoming CSDDD regulation itself, alongside other EU regulations, such as CSRD, that Company A must comply with. Normative pressures impact through industry standards such as the Science-Based Targets and OECD Guidelines which shape the company's practices. Mimetic pressures were also evident, though less explicitly stated. However, references to benchmarking and learning from industry peers suggest that mimetic pressure has a certain impact.

These institutional factors shape MNCs' strategies. Strategy emerged as a particularly revealing element in the findings, with interviewees consistently describing sustainability as deeply integrated into the company's core operations. Peng et al.'s (2009) institution-based view explains that strategic choices emerge from institutional pressures, industry conditions, and organizational capabilities. The IBV suggests that when formal constraints remain unclear (as with the evolving CSDDD), informal institutions guide strategic decisions. This explains Company A's heavy reliance on established voluntary frameworks for CSDDD preparation. The "new institutionalism" recognizes that organizations, especially MNCs, can exercise strategic agency by influencing and reshaping the institutional contexts in which they operate (Kostova et al., 2008). Company A demonstrated agency through its proactive approach to sustainability, such as implementing sustainability reporting before CSRD requirements. Additionally, the company has already adopted many of the CSDDD requirements, which showcases the proactive approach.

When viewed through Oliver's (1991) strategic responses framework, Company A's approach to CSDDD preparation can be classified primarily as acquiescence, with elements of compromise, as summarized in table 5. Acquiescence is evident in the

implementation of sustainability processes and willingness to adapt to new requirements. The company's long-established supplier assessment processes demonstrate this compliance orientation. Compromise can be seen in how the company balances various requirements while working within resource constraints. For example, the practical approach to supplier auditing, despite limited resources, reflects this balancing between ideal compliance and practical limitations. As for sustainability management, the most valuable finding was that CSDDD implementation involves multiple functions within the company, requiring cross-functional collaboration and management commitment.

Table 5. Strategic responses to CSDDD in Company A (adopted from Oliver, 1991)

Strategic response	Evidence from Company A
Acquiescence	Commitment to CSDDD compliance; building on existing due diligence foundations; reviewing internal processes to identify which fall under CSDDD requirements; maintaining established approach despite regulatory uncertainty
Compromise	Balancing the evolving regulatory landscape with strategic priorities; maintaining focus on specific due diligence needs and risks while adapting to directive requirements; balancing resources with compliance needs
Avoidance	Minimal evidence
Defiance	No significant evidence
Manipulation	No significant evidence

The original theoretical framework (Figure 1) summarized the theoretical perspectives. Following the empirical research, the framework has been updated to include the main findings (Figure 2). The *organizational context* was added to demonstrate that CSDDD preparation cannot follow a one-size-fits-all approach. Different organizational contexts (e.g. business model, value chain structure and industry) require different preparation strategies. *Resilience* was added as a new concept to illustrate how established informal practices can provide resilience, especially during regulatory uncertainty. The original

framework referred to “sustainability management” but was revised to *Cross-Functional Sustainability Management* to better capture the findings about the broad collaboration needed for CSDDD implementation. *Organizational Capabilities* was added to capture the finding that effective CSDDD preparation requires adequate technical systems and tools, showing that institutional responses depend on concrete organizational resources.

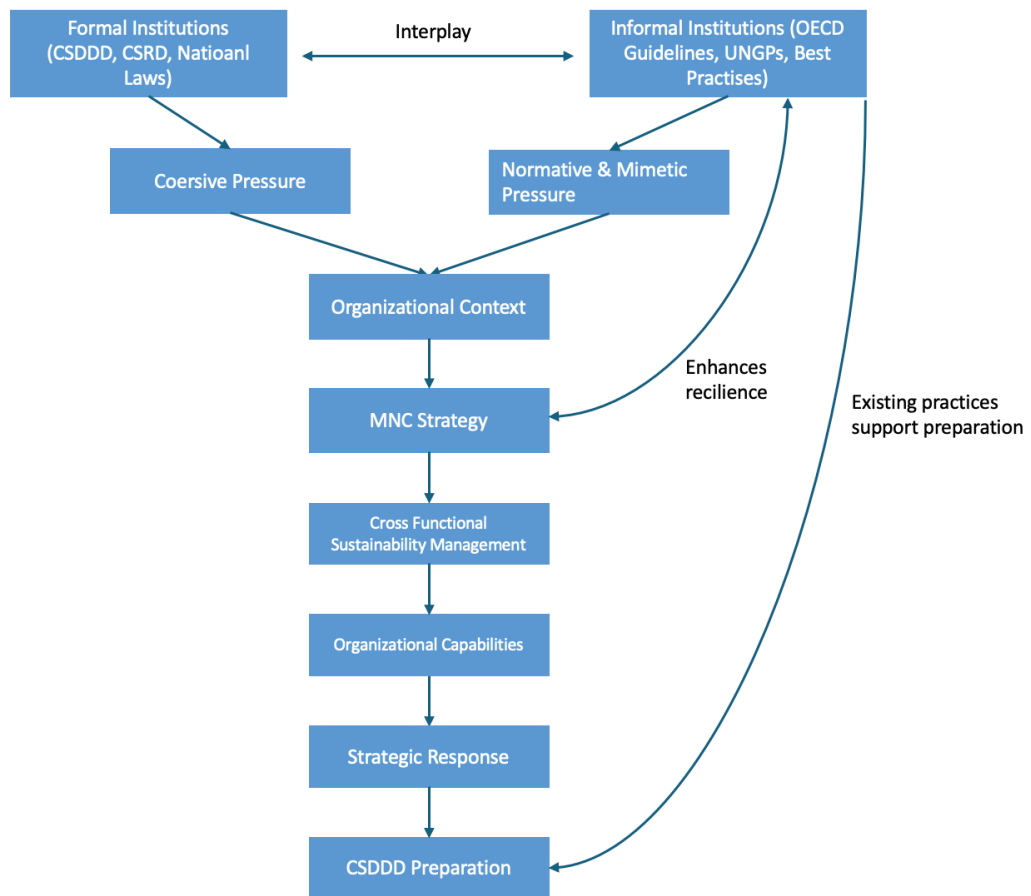


Figure 2. Updated theoretical framework

7.2 Managerial implications

Along with theoretical contributions, this research reveals several managerial implications, summarized in table 6. A major challenge for managers is preparing effectively for the Corporate Sustainability Due Diligence Directive given its complexity and

comprehensive scope across human rights, environmental impacts, and supply chain management. This study's empirical findings demonstrate a consistent theme across interviews: there is no straightforward roadmap for CSDDD preparation, and it can be challenging for decision-makers to balance compliance efforts with the ongoing regulatory uncertainty. This challenge is complicated by resource allocation pressures, as due diligence processes require significant investment. These pressures manifest particularly at the managerial level, where leaders must show strategic direction for companies. Therefore, this section offers interpretive guidance for managers facing similar challenges and addresses the practical gap of the lack of guidance on effective CSDDD preparation strategies. Since the directive's formal compliance requirements are readily available, this section focuses on the unique factors that emerged from the case analysis.

CSDDD preparation should begin internally. Companies must first embed due diligence principles into their own governance structures, starting with codes of conduct and internal policies to reflect sustainability due diligence principles. For this, companies can leverage established voluntary frameworks, namely the OECD Guidelines and UNGPs, as they form the foundation for the CSDDD. Company A demonstrates how proactive adherence to established frameworks provides a solid foundation that can be adjusted as specific regulatory details emerge. For companies subjected to the CSDDD, typically large MNCs with complex value chains, a systematic gap analysis is essential to identify potential or actual adverse impacts within operations, subsidiaries, and business relationships. As demonstrated by Company A, organizations should map their operations and supply chains to identify the “hot spots” where risks are most likely to occur. This analysis should incorporate a tailored risk matrix reflecting the company's specific business context. The gap analysis and risk identification allow companies to concentrate the efforts where they are needed the most. The risk identification then guides next steps and determines which suppliers require more intensive assessment through self-evaluations, third-party audits, or specialized impact assessments.

Effective CSDDD implementation requires preparation through internal training and clear organizational responsibility for due diligence. Cross-functional collaboration across different business units is necessary to integrate sustainability considerations throughout operations. Companies should train their own workforce on sustainability due diligence aspects which will enable them to identify adverse impacts in the organization. For external stakeholders, particularly SME suppliers, companies should provide support, communicate policies clearly and require code of conduct compliance. Accessible grievance mechanisms should be available to all stakeholders. When impacts are identified, companies should set deadlines for corrective action plans and systematically monitor progress. Companies should evaluate whether their existing tools and KPIs support CSDDD compliance. Effective and scalable technical systems can automate data collection, enable reliable verification of supplier information, and link risk assessments to decision-making.

This study confirms that there is no one-size-fits-all approach to CSDDD preparation. Each company must develop a proportional strategy tailored to its unique risk profile, business model, and organizational context. Additionally, sustainability due diligence should be approached as an ongoing process rather than a one-time compliance exercise. Companies should develop systems to measure progress and evaluate the effectiveness of mitigation efforts over time. Company A offers an important insight: companies do not have to expect perfection from day one. Rather than attempting to address everything at the same time, companies should begin with their most significant impacts and build from there. The improvements will compound over time and transform compliance requirements into meaningful sustainability practices. As one interviewee noted, "You're never finished on this journey".

Although regulatory uncertainty was not the focus of this thesis, it emerged as a recurring theme during the research process. The findings suggest that maintaining effective due diligence capabilities serves purposes beyond compliance, such as supporting risk management, meeting stakeholder expectations, and aligning with broader business

objectives like supply chain optimization. These benefits remain regardless of regulatory uncertainty. Therefore, companies should view due diligence not only as a legal obligation but also as a strategic asset in times of regulatory change. The findings indicate that companies should integrate CSDDD with existing initiatives and not view it as an isolated compliance project. This provides flexibility with evolving regulations and demonstrates a strategic choice to view CSDDD as an opportunity to build long-term business advantage. Above all, companies should remember the roots and fundamental purpose of this regulation: protecting human rights and the environment for future generations.

Table 6. Suggested preparatory steps for CSDDD

Focus area	Core action
Policy integration	Embed due diligence into internal policies and codes of conduct.
Internal alignment	Ensure executive commitment and cross-functional collaboration.
Risk Identification	Conduct tailored gap analysis, supply chain mapping, and use a risk matrix.
Stakeholder engagement	Engage stakeholders, support training and establish grievance mechanisms.
Remediation	Establish remediation process prioritizing high-risk areas.
Continuous improvement	Treat due diligence as an ongoing cycle and improve using meaningful KPIs.

7.3 Limitations and suggestions for future research

This study has several limitations that suggest opportunities for future research. As a single case study, this research provides analytical generalization to theory, not statistical generalization (Yin, 2012). Future research could test these theoretical insights

through comparative studies across multiple companies and industries. The Finnish context may limit the applicability of findings, and future studies could examine how companies from countries with weaker sustainability institutions prepare for the CSDDD. Additionally, since this study was conducted prior to the directive's implementation, actual compliance outcomes remain unknown. Post-implementation studies could investigate whether CSDDD achieves the uniformity predicted by institutional theory's concept of coercive isomorphism and whether it successfully formalizes varying due diligence practices across the EU. The CSDDD will also apply to non-EU companies with operations in the EU. One limitation of this study is that the findings may be more relevant to companies based in the EU, since non-EU companies might face different challenges. Specifically from an institutional theory perspective, future research could explore how institutional pressures operate when the formal regulatory authority is more geographically distant.

The current regulatory uncertainty highlights a theoretical gap. While this study examined interplay between formal and informal institutions, future research could specifically investigate how organizations adapt when formal institutions are not only new but actively evolving. This is particularly relevant given the recent political developments surrounding EU sustainability regulation. Furthermore, the focus on large MNCs can overlook the directive's indirect effects. Future research could examine how SMEs in value chains adapt to CSDDD requirements imposed by larger companies, and how smaller suppliers can be meaningfully supported. Finally, this study demonstrated many practical challenges companies may face in applying the CSDDD, especially due to the vague terms in the directive. Future research could explore how EU Member States can effectively transpose the directive into national legislation, and how supervisory authorities can support companies in interpreting and applying the requirements. Such research could also assess if clearer guidance or adjusted wording is needed to make the directive more practically understandable.

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Appendices

Appendix 1. Interview Guide

The core themes remained consistent across all interviews. However, the focus of certain questions was occasionally adapted to reflect the interviewee's specific area of responsibility and expertise. Tailored follow-up questions were also asked based on the interviewee's role to gather relevant insights. To preserve anonymity, specific job roles are not disclosed here. All interviews were conducted in Finnish, but questions are translated to English below.

Introduction

- Introduction to the thesis topic and objectives
- Overview of interview method and ethical considerations (anonymity & recording)
- Clarify interview objectives and allow time for any questions

Current Sustainability Practices and institutional pressures

1. How would you describe your company's current approach to sustainability?
2. What factors or stakeholders influence your company's sustainability practices?
3. Which voluntary frameworks or standards does your company follow?

Due Diligence Processes

1. How do you identify potential sustainability impacts and risks in your operations?
2. What processes do you have for addressing identified risks?
3. How do you prioritize different risks when allocating resources?
4. How would you assess the maturity level of different components of your sustainability due diligence program?
 - Which areas do you see as most developed, and where might further development be needed?

5. What mechanisms do you have to verify the effectiveness of your due diligence processes?
 - What KPIs do you track?

Supply chain management

1. How do you identify and manage sustainability risks across different tiers of the supply chain?
2. How would you describe the level of transparency and visibility in your supply chain?

Practical CSDDD Preparation Steps and Implementation Considerations

1. How is your company preparing for CSDDD implementation?
2. What are the main challenges in preparing for the directive?