



# How Stakeholder Salience Influences the Sustainability Strategy of Companies in the Aviation Sector

Moritz Franzen

Dissertation written under the supervision of Professor Tommaso Ramus

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## Abstract

The goal of this thesis is to understand how stakeholders impact organisations in terms of sustainability and how they exert their influence. Based on stakeholder theory and sustainability literature I analysed how stakeholders influence sustainability in the aviation sector. My qualitative, comparative case study, enabled me to identify three different clusters, based on the following characteristics: i) production companies, ii) premium airlines and iii) low-cost airlines. For each of these clusters' stakeholder pressures are shaped by the following variables: company's business model; company's value proposition and cultural variables in which the company is operating. The nature of stakeholder pressures, in turn, drives companies to prioritize either economic or environmental variables in their sustainability strategy. In this way, my thesis provides an answer how to identify salience in stakeholders and how these stakeholders influence organisational behaviour in the sustainability domain, thus reconnecting these cognate research streams.

**Keywords:** Sustainability, Stakeholder Theory, Stakeholder Management, Stakeholder Expectations, Stakeholder Salience, Aviation, Aviation Industry, Comparative Case Study, Qualitative Research

**Author:** Moritz Franzen, written under the supervision of Tommaso Rasmus.

## Resumo

O objetivo desta dissertação é perceber como é que os *stakeholders* influenciam as estratégias de sustentabilidade de uma empresa e como exercem essa influência. Baseado na literatura sobre *stakeholder theory* e sustentabilidade foi analisado como é que os *stakeholders* influenciam a sustentabilidade no setor da aviação. O meu estudo qualitativo e comparativo, permitiu identificar três diferentes grupos baseados nas seguintes características: i) fabricantes, ii) companhias aéreas *premium* and iii) companhias aéreas *low-cost*. Para cada um dos grupos, a influência dos *stakeholders* é moldada pelos seguintes fatores: modelo de negócios, proposta de valor e padrões culturais nos quais a empresa está a operar. A natureza da pressão dos *stakeholders* leva as empresas a priorizar variáveis económicas e ambientais nas suas estratégias sustentáveis. Assim, esta dissertação providencia resposta a como identificar a saliência nos *stakeholders* e como os mesmos influenciam o comportamento sustentável organizacional e assim conectar estas áreas de investigação.

**Palavras-Chave:** Sustentabilidade, *Stakeholder Theory*, Gestão de *Stakeholders*, Expectativas de *Stakeholders*, Saliência dos *Stakeholders*, Aviação, Indústria da Aviação, Caso de Estudo Comparativo, Pesquisa Qualitativa

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# 1. Introduction

## 1.1. Topic Presentation

The aviation industry is facing dynamic and turbulent times (Bows, 2009). A complex range of external and internal factors is generating pressure within the sector, with the COVID pandemic and its drastic consequences for aviation being the biggest recent disruptor for the industry (Gössling, 2020). Aviation must address the high impact changes in the market as it sets out for the future (Linz, 2012).

There are researchers who question if a return to business-as-usual is feasible or if aviation companies must rethink their approaches in various organisational areas (Gössling, 2020). One pressing topic for the industry is the global quest for sustainability (Agarwal, 2009). Since the beginning of sustainability emerging in the centre of public debate, the aviation industry and its contribution to worldwide carbon emissions have been prominently connected to the climate change discussion. Bows et al. (2009) stated that “... *it remains unclear as to how the aviation sector will respond to persistent and significant pressure to mitigate its global carbon emissions*”. Over 10 years later the industry investigated a wide range of technologies and opportunities which could be the tools for a greener aviation. They include biofuels, the use of innovative materials in airplane construction, more efficient production methods as well as it-systems designed to improve the processing of data (Valdés et al., 2019). But the tools are only one side of the equation. On the other side are the more theoretical questions of organisational implementation and realisation. What drives companies to be more sustainable? What kind of strategies need to be envisioned to enable more sustainability? Who are the actors and key stakeholders that push for a sustainable orientation? In 2000 a study discovered that the three main motivations for companies to commit to an environmental strategy are competitiveness, legitimation, and ecological responsibility (Bansal et al., 2000). All these factors play an important role in the aviation industry. The market of commercial aviation is highly competitive, companies face a great deal of public exposure and therefore are also measured by their legitimacy. Additionally, consumers are getting more demanding regarding ecological standards (Agarwal, 2009). All motivational factors driving organisations to become greener are evident for aviation combined with a public spotlight on the industry. Given these circumstances the sector poses an interesting and adequate example to analyse influences on different sustainability approaches and strategies.

A key factor in sustainability management is the role of stakeholders. For this thesis I will apply the following fundamental of definition for the term stakeholders.: “*Stakeholders*

*are those groups who have a stake in or claim on the firm. Specifically, I include suppliers, customers, employees, stockholders, and the local community, as well as management in its role as agent for these groups”* (Freeman, 1998). As discussed later in this paragraph, the term is extended according to modern examples of companies also including governments and non-profit organisations into their circle of stakeholders (Epsilon, 2016). Stakeholder pressure is identified as one of the key drivers for companies to commit to a more sustainable strategy (Bansal et al., 2000). Their role and importance have increased over the last decades forcing companies to shift from a singular focus on shareholders to a more holistic view of actors affected by the endeavours of a business (Charreaux et al., 2001). An example for the range of stakeholders considered by airlines is given by the world’s biggest airline Epsilon. In their responsibility report they list investors, customers, employees, suppliers, governments, non-profitable organisations, and communities as the stakeholders impacted by their business activities (Epsilon, 2016).

I will aim to understand how stakeholders influence the strategic sustainability orientation of aviation companies. I will show the variation of sustainability strategy as a result of salient stakeholder input and the different expectations of companies at different points of the industry.

## **1.2. Problem Statement**

The problem this thesis will aim to answer is how the sustainability strategy of companies is a result of the expectations these stakeholders have towards an organisation. The analysis of the problem will provide an insight into the strategic orientation and its dependency on salient stakeholders.

## **1.3. Research Question**

How do salient stakeholders influence the sustainability strategies of organisations?

## **1.4. Scope of Analysis**

The scope of the analysis will contain the data of 7 companies from the aviation industry. The aviation industry was chosen because of multiple factors. First, I gained previous work experience in the industry, being employed by Beta for about two years in the business development department. Therefore, I gained access to expert insights from former contacts within and outside of the Beta Group. Furthermore, the aviation sector provides an excellent

narrative for the analysis of the previously presented interconnection of stakeholder theory and sustainability. Aviation companies are mostly multinational cooperation's dealing with stakeholders varying from governments and regulators to end-consumers and their communities. Additionally, the sector is an ideal setting for the study because of its high public exposure.

The selected companies will be allocated in clusters and within the clusters the differences and commonalties in stakeholder strategy will be elaborated. The companies are presented below are selected based on their comparability as well as contacts within the aviation industry to develop primary data from interviews with those contacts. The cluster affiliation of the companies will be based on the expectation of the respective salient stakeholder.

The list of companies includes:

- Alpha
- Beta
- Gamma
- Lota
- Epsilon
- Zeta
- Eta

## **1.5. Thesis Organisation**

The thesis will be organised in 9 main topics. The first topic is the *Introduction*. In this section the underlying topics will be presented and their relevancy in a wider context will be explained. Building on the introduction, an extensive *Literature Review* is the next main topic of the dissertation. It gives insight into the current state of the research and what theoretical background is necessary and foundational for the following content. Following the *Literature Review*, the next section is the *Methodology*. Here I present why the companies were selected, and the structure and processes in which the primary and secondary data was collected and analysed. I present the results from the analysis in section 4, the *Findings*. In section 5, the *Discussion* I present the arguments based on the previous *Findings* section. After, I elaborate on the *Contributions to Research* in section 6, as well as *Limitations* and an *Outlook on Future Studies* in section 7. The dissertation is completed by the *References* and the *Appendix*.

## 2. Literature Review

In this section I present the current state of the foundational research topics which are relevant for this thesis. The research topics are stakeholder theory and the concept of sustainability.

### 2.1. Stakeholder Theory

To begin let us look at one of the most iconic and successful companies of today, Apple, to understand how far reaching the term stakeholder is and how vital stakeholder management is for the succession of modern organisations. Freeman (1984) defines it as: *“A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization’s objectives.”* Figure 1 shows the large number of actors involved in Apples’ business projects. Behind each of the stakeholders are a multitude of organisations and individuals. For example, the number of suppliers involved in the production of the iPhone 6 encompasses 785 companies all around the globe ranging from big cooperation’s to small businesses (Clarke & Boersma, 2015). Apples’ example shows that what we grasp as the company Apple is in a reality a collection of numerous entities which are interlocked like a clockwork. And only if this clockwork is managed adequately the final output is set up for success. This management process is called stakeholder management.



Figure 1: Apple Inc. all Stakeholders

Source: (Wordpress, 2012)

### 2.1.1. Origins and Evolution

When discussing stakeholder theory in a scientific context the concept is rarely mentioned without the concept of shareholder value. Most famously the term shareholder value was coined by Friedman (1970) stating that “... *a company has no social responsibility to the public or society; its only responsibility is to its shareholders.*” This unilateral view of value creation by companies was gradually softened by scientists starting in the 90’s with Freeman publishing articles and his ground-breaking book *Strategic Management: A Stakeholder Approach*. The concept of stakeholders was first introduced on a broad scientific stage and stakeholder strategies were identified as an answer to the emergence of more governmental interference, increasing media involvement and international competition (Freeman & Reed, 1983; Freeman, 1984). In the following, Donaldson and Preston (1995) published one of the most cited articles in the *Academy of Management Review* to this day (R. E. Freeman et al., 2018), discussing the three main aspects of stakeholder theory, “... *descriptive accuracy, instrumental power, and normative validity.*” In their article the authors defend each of the aspects and show the positive interaction between them. With their work stakeholder theory was established as a fundamental element of organisational design. Brandenburger und Stuart published a paper in 1996 proving mathematically the importance of the relationship of companies with their suppliers and buyers for a “*positive added value*” to the firms’ overall value (Brandenburger & Stuart, 1996). Highlighted should also be the later works of Freeman, who shaped the modern concept of stakeholder theory. He recognised companies shifting from “*legal devices*” of individual businessmen to entities “*organising economic life*” and thereby gaining a “*larger significance*”. This increased significance results in the need for a more holistic view of those affected by these cooperation’s, similar to “*major social institutions*”. Freeman pleads for a transformation of a shareholder centric managerial focus towards an understood responsibility involving all stakeholders of a company (R. E. Freeman, 1998).

Scholars continued to prove how an adequate stakeholder management improved the competitiveness and value creation of firms (Freeman et al., 2007; Freeman et al., 2010). Studies were performed showing the superiority of firms implementing excellent stakeholder strategies (Sisodia et al., 2006) as well as studies demonstrating stakeholder management as a vital tool for companies in critical situations (Choi & Wang, 2009). The reason for the superior performance is found in the attraction companies with a good stakeholder reputation provide for customers, suppliers, investors, and other parties. The reputation attracts partners of higher quality and therefore creates the competitive advantage (Harrison & Bosse, 2013).

An example used by the previously mentioned authors is the food producer *Whole Foods*. “*Whole Foods enjoys a stellar reputation for treating its stakeholders well, and this reputation has attracted many suppliers, customers, and other stakeholders to the company.*” (Harrison & Bosse, 2013). Furthermore, companies with a high stakeholder reputation are more likely to be chosen because of what they stand for providing associated companies with a higher self-regard and resemblance of desired values (Ashforth & Mael, 1989). Within this connection both companies influence each other positively, summarised by Harrison and Bosse (2013) under the term “*reciprocity*”. Theoretical prove of this mutual positive influencing can be found in game theory. A scientific computer simulation of different gaming strategies showed: “*Cooperate on the first move and then do whatever the other player did on the previous move. One implication is that reciprocity is not only a social norm but can also be an extremely successful operating rule for an individualistic pragmatist.*” (Axelrod, 1980). Applied to stakeholder theory this could be a stakeholder which gets more than expected and therefore provides more initiative in the interest of the company (Bosse et al., 2009). The concept also works the other way around, when stakeholders receive less than expected, they can negatively impact the company (Larson, 1992). Practical examples are “*...sabotage, deception, legal suits, or boycotts.*” (Harrison & Bosse, 2013). The evidence highlights the previously mentioned foundational legitimacy of stakeholder theory for modern organisations. As Bowie (2010) puts it a good stakeholder management is simply the morally right thing to do.

### **2.1.2. Stakeholder Salience**

The question I try to analyse includes how companies allocate salience to stakeholders and how this salience conversely influences aviation companies in their sustainability strategy. The question of variance in salience in between stakeholders has occupied scholars almost as long as stakeholder theory itself. Freeman (1994) framed the question simply: “*The Principle of Who or What Really Counts.*” In research that followed varying definitions of stakeholder salience have been discussed. Mitchell et al. (1997) summarise the scientific discussion stating: “*We will see stakeholders identified as primary or secondary stakeholders; as owners and nonowners of the firm; as owners of capital or owners of less tangible assets; as actors or those acted upon; as those existing in a voluntary or an involuntary relationship with the firm; as rights-holders, contractors, or moral claimants; as resource providers to or dependents of the firm; as risk-takers or influencers; and as legal principals to whom agent-managers bear a fiduciary duty.*” Evidently multiple definitions and approaches for the salience of stakeholders

have been established. Mitchell et al. (1997) suggest a framework which bases the salience of stakeholders on three main attributes, power, legitimacy and urgency.

The definition of power which is fundamental for my thesis is “... *the probability that one actor within a social relationship would be in a position to carry out his own will despite resistance*” (Weber, 1947). This power is based on resource dependence. Controlling resources which are essential to the company gives stakeholders the possibilities to provide or withhold these resources and thereby leverage this dependence into salience (Pfeffer, 1981). The second attribute, legitimacy, is needed to identify companies that are operating within accepted norms (DiMaggio & Powell, 1983). Illegitimate deviation from these norms leads to “... *organisational mortality*.” (Mitchell et al. 1997 & Carroll & Hannan, 1989). The adapted definition for legitimacy for my research is “... *a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*” (Suchman, 1995). The last attribute is urgency. Mitchell et al. (1997) define it as “... *the degree to which stakeholder claims call for immediate attention. Whether dealing with the prevention of losses, the pursuit of goals, or selection pressures, one constant in the stakeholder-manager relationship is the attention-getting capacity of the urgent claim*. “

Based on these attributes the construct visible in Figure 2 is designed.

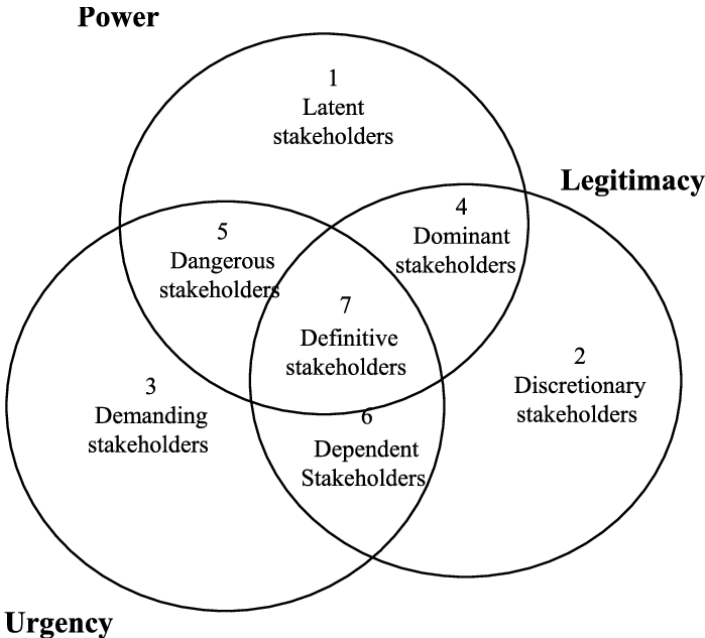


Figure 2: Stakeholder Typology: One, Two, or Three Attributes Present  
 Source: Mitchell et al. (1997)

The construct classifies stakeholders in terms of salience. The more attributes a stakeholder meets the higher his salience.

### **2.1.3. Boundaries**

Since the theory of stakeholder management had repeatedly proven its value scholars moved towards the boundaries of the concept. Harrison and Bosse (2013) explored the damages of excessive stakeholder management in their article *How much is too much? The limits to generous treatment of stakeholders*. As the minimal requirement they identify “...an attractive value proposition relative to other opportunities available to them”. Regarding the upper bound of allocated value, the authors criticise the notion that stakeholder management is an infinite positive influence for the company and its stakeholders. The more you put in the more you get out. For them the attributed value for a stakeholder gets too high whenever “... the marginal unit of value the stakeholder receives results in less than a unit of new value created through reciprocity on the part of the stakeholder.” Other warning signals are a firm not being able to fulfil its production cycle or processes becoming so complex that they cannot be managed efficiently anymore. Therefore, the upper and lower bound analysis lets the authors conclude, that the optimal level of stakeholder allocation is when stakeholder receive just a little bit more value than what they would receive elsewhere and if their input is constructive and helpful instead of making things more complex and confusing.

## **2.2. Sustainability**

The term sustainability as we understand it today goes back to the former prime minister of Norway, Gro Harlem Brundtland. In 1987, as head of the World Commission on Environment and Development, WCED, she published a paper with the title *Our Common Future—Call for Action*. Brundtland saw the world on the brink of a new dawn, with humanity for the first time in history being able to impact and alter nature and the earth with its behaviour. This ability coincided with a responsibility to which the world community did not live up to. The author therefore warned urgently: “... the present method of development is not sustainable! Little time is now available for corrective action. We need to set a new course.” This proposed course had the name *sustainable development*. The definition according to the author is “... meeting the needs and aspirations of the present generation without compromising the ability of future generations to meet their needs. It is a form of progress for social and economic development that enhances the resource-base rather than degrades it.” Brundtland’s approach is interesting because her appeal is not to save nature for nature’s sake, but rather to preserve our environment out of fairness for the upcoming generations.

**2.2.1. Three Dimensions and Seven Revolutions**

The understanding of the term sustainability prevailed from Brundtland’s report, today it is still understood as a reference to the fairness between present and future generations. However, with the basic definition of the term still being the same the overall concept of sustainability evolved over the last 30 years. Sustainability nowadays is mostly understood as a three-dimensional construct, the dimensions being social, environmental, and economic (Elkington, 1998; Robert et al., 2005; Helming et al., 2008). The dimensions were coined by the British author Elkington (1998) who mentioned them as *The Triple Bottom Line* adding the environmental dimension to the already by Brundtland (1987) mentioned social and economic component of sustainability. He felt that the two dimensions had to be “... more interrelated” to stick into the minds of actual businesses (Elkington et al., 2013). For the author the three dimensions depend on seven revolutions. Together the revolutions are building blocks of the “cultural revolution” which is already and will continue to shift global society.

|                                |                     |   |                     |
|--------------------------------|---------------------|---|---------------------|
|                                | <b>Old Paradigm</b> | → | <b>New Paradigm</b> |
| <b>1 Markets</b>               | Compliance          | → | Competition         |
| <b>2 Values</b>                | Hard                | → | Soft                |
| <b>3 Transparency</b>          | Closed              | → | Open                |
| <b>4 Life-cycle technology</b> | Product             | → | Function            |
| <b>5 Partnerships</b>          | Subversion          | → | Symbiosis           |
| <b>6 Time</b>                  | Wider               | → | Longer              |
| <b>7 Corporate governance</b>  | Exclusive           | → | Inclusive           |

Figure 3: Seven Sustainability Revolutions

Source: (Elkington et al., 2013)

Figure 3 shows the seven revolutions as a paradigm change between old times and modern realities in a sustainable world. Elkington (2013) then discusses the evolution and the impact of these seven drivers over the last decades. He identifies three waves of public pressure occurring since 1960 pushing the awareness and understanding of sustainability and its implications further and further into the centre of public focus. The first wave roughly from 1960 to 1970 had its focal point on shaping an understanding of resource scarcity and that the limits of nature. Regarding the implementations of countermeasures, the general response was still defensive and denying. Starting in 1984 with the Bhopal chemical crisis in India and lasting for around 8 years, the second wave of public pressure emerged. This time the focus was impacting businesses, with the public demanding new and less harmful procedures in production. Sustainability started to become an opportunity for competitive advantages. The

third wave has its focus on the connection between sustainability and globalisation. The new dawn of a truly global connected economy paired with an urgent need for more sustainable development posed policy makers with questions on how to shape the future at the beginning of the new century. *Figure 4* shows an overview of the waves on a timeline.

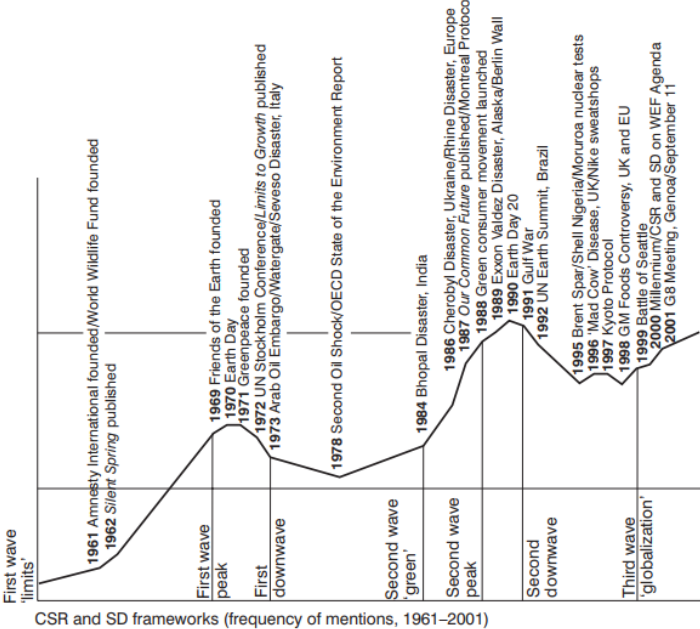


Figure 4: Three public pressure waves

Source: (Elkington et al., 2013)

What we can observe since 2001 is a starting economic survival of the sustainable. Sustainability and the way organisations incorporate and handle the issue seems to separate the wheat from the chaff. Eccles et al. (2014) researched a sample of 180 American companies, comparing early sustainability adopters and their overall performance with non- or low adopters. The studies revealed: *“High sustainability companies are more likely to have established processes for stakeholder engagement, to be more long-term oriented, and to exhibit higher measurement and disclosure of nonfinancial information. Finally, high sustainability companies significantly outperform their counterparts over the long term, both in terms of stock market and accounting performance.”* These results show the connection of some of the previous discussed seven revolutions with the superiority predicted by Elkington (2013). The better performers are more transparent, are thinking in longer timeframes, are exhibiting more inclusive behaviour towards stakeholders and therefore reach higher proficiency.

### **2.2.2. The Need to Double Down**

The previous paragraphs paint a rosy image of sustainability. I stated the origins of the term, how the concept evolved and that a sustainable approach has a proven linkage to higher competitiveness and overall performance. So therefore, we have all the answers, right? We have a concept that verifiable works against the problem introduced by Brundtland (1987), so problem solved. If you read the news these days, the opposite seems to be the case. Bad news about climate catastrophes are more frequent than ever and to once read about policy makers meeting a climate goal would be a very rare exception. With the words of Pierrehumbert (2019) “... *yes, it’s time to panic. We are in deep trouble.*” The problem of climate change is a problem of cumulative emission; therefore, every additional emission is a contributor. “... *it is necessary to bring net carbon dioxide emissions by the world economy to zero. There is no so-called “safe” level of carbon dioxide emissions.*” All the efforts undertaken so far by humankind are simply not enough. To achieve the saving breakthrough, we must double down on these efforts (Clark et al., 2016).

I will dive into the influence that stakeholder theory have on these efforts.

### **2.3. Stakeholder Management and its Impact on Sustainability**

The previous two sections gave a brief overview of sustainability and stakeholder theory. In this part I will investigate the intersection between the topics and explain why I think that the linkage provides a suitable approach for management strategy when dealing with sustainability. First, let us look at the state of the research connecting sustainability with stakeholder management.

Steurer et al. (2005) connected the two theories together asking how sustainable development can be impacted and achieved by stakeholder management. The paper first investigates the similarities of the two theories and uncovers three main communalities. First that sustainable development and stakeholder management both have normative foundations. Secondly, both theories rely on involvement to be effective, meaning they require participation to work. Thirdly, both stakeholder management and sustainability theories consider the three dimensions, economic, social, and environmental. Although the paper recognises the similarities between the theories it does not get to a clear statement regarding the relationship of the topics beyond their resemblances. Another angle is developed by Schlange (2006) who focused on the management of stakeholders by sustainable entrepreneurs and what distinguishes their approach from regular businesses. Foremost, the way in which sustainable enterprises can affect networks of businesses and people is by their stakeholder network and

the connections which the network forms and strengthens. Research has found that in stakeholder relations not only direct connections increase but also indirect linkages between various stakeholders intensifies (Jüttner & Schlange, 1996; Freeman & Evan, 1990; Rowley, 1997; Vandekerckhove & Dentchev, 2005). Therefore, a sustainable business can not only impact its own business model, but it can also affect other connected stakeholders and infuse a more sustainable behaviour. This is also amplified through the more comprehensive selection of stakeholders for these types of entrepreneurs that the author demonstrates. Clifton and Amran (2010) studied whether stakeholder theory is consistent with sustainability objectives and if adopting stakeholder management increases sustainability. The authors conclude that the stakeholder approach “... *in its current form, (is) poorly equipped to assist managers in the execution of their obligations to progress a sustainable world.*” Further they state: “*The task of considering whether the stakeholder approach can be modified, or otherwise incorporated into alternate organisational narratives, such that it is consistent with the concept of a sustainable world, is beyond the scope of this article.*”. This and other research confirm that stakeholder management and its impact on sustainability is relatively uncharted (Sachs & Rühli, 2005).

The addressed research shows the first advances into the intersection of the two theories. For me the linkage has one major advantage which is the fact that sustainability in its elementary conceptual construction is an abstract theory. The justification and the necessity to become more sustainable is easily understood but the next step, finding the right adjustments and changes within an organisation is the tricky part. In a KPMG survey 80% of the participating companies stated that the biggest challenges in becoming more sustainable are “... *identifying and prioritizing issues, developing strategies and policies and measuring performance.*” (Bonn & Fisher, 2011). This is the struggle, translating sustainability into actual business strategies and processes. I believe this is exactly where stakeholder management can come into the picture. Viewing sustainability through the lens of stakeholder management gives an approach to push an organisation into a more ecological position. Let us look at what that position could be. Garvare and Johansson (2010) make a distinction between global and organisational sustainability. As global sustainability they understand the generic definition previously presented by Brundtland (1987), so “... *development that meets the needs of the present without compromising the ability of future generations to meet their needs.*” Adapting this definition into a business strategy would mean taking in consideration the interest beyond simply stakeholders. With future generations implied the responsibility becomes much larger than just the directly affected actors of a company. To make a translation from sustainability into

stakeholder management and business strategy a narrower view is needed. Garvare and Johansson (2010) use the term organisational sustainability. It encompasses “... actors that: (i) provide essential means of support required by an organisation; and (ii) could withdraw their support if their wants or expectations are not met, thus causing the organisation to fail, or inflicting unacceptable levels of damage.” Figure 5 summarises the two view and its differences:

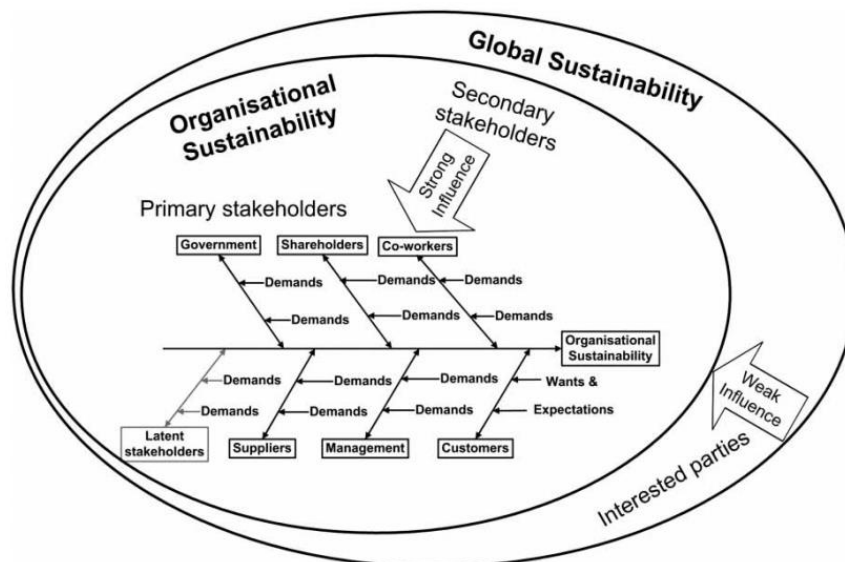


Figure 5: Global vs. organisational sustainability

Source: Garvare & Johansson (2010)

The idea is that through the collective striving for organisational sustainability an overall impact on the global stage can be achieved. Thus, the authors state that by meeting or ideally exceeding stakeholders’ expectations organisational sustainability will be achieved. Furthermore, cumulative organisational sustainability will impact sustainability globally. Unerman et al. (2010) describe it as the following: “The overall purpose of stakeholder engagement is to drive the strategic direction and operational excellence for organisations, and to contribute to the kind of sustainable development from which organisations, their stakeholders and wider society can benefit from.” An actual strategy to engage stakeholders to achieve organisational sustainability is designed by Bal et al. (2013) for the construction sector. The strategy involves six steps, “... i) identification; (ii) relating stakeholders to different sustainability-related targets; (iii) prioritization; (iv) managing; (v) measuring performance; and (vi) putting targets into action.”

So, to summarise, the intercept between stakeholder management and sustainability is relatively uncharted, but there are numerous authors discussing a correlation between

stakeholder management and organisational sustainability. Furthermore, there are authors designing stakeholder strategies to encourage sustainability. Thus, the ingredients are there to investigate whether stakeholder management is a vital tool in the search for sustainability in the aviation sector.

### **3. Methodology**

In this section I will present and discuss the processes with which I answered my research question. This includes how and why I selected the companies for the case study, how I collected the data to investigate my research question and how I conducted the analysis of the data.

#### **3.1. The Selection of the Analysed Companies**

The companies are essentially selected based on the criteria of diversification of the overall analysis, the respective domestic market and accessibility.

In terms of diversification, it was important for me to shed light on different companies in the aviation sector. When we think about flying, we think about airlines, but the industry encompasses a much broader range of organisations. I wanted to analyse differences in the sustainability approaches also conditioned by different business models, different levels of public exposure and varying value propositions. Furthermore, I paid attention that organisations with different sizes are included in the dissertation. The range of number of employees varies from a handful to tens of thousands. This diversification gave me the possibility to control for varying characteristics of a company which influence the sustainability strategy. This was important to understand what effects can be attributed to a characteristic like size versus stakeholder influence. Also, it puts the role of stakeholders into perspective. In the companies that I selected the bigger organisations also have a larger number of stakeholders.

I also wanted to take regional factors into account and therefore decided to include two American airlines into my research. This was important to control for cultural effects and ensure that the results were not influenced by a unilateral European observation.

All the previous factors enabled me to address my research question, how do salient stakeholders influence the sustainability strategies of organisations? With the data I gathered it was possible to delimit between salient and subordinate stakeholders and investigate the reasons for the levels of salience. Additionally, it was possible to determine how the respective sustainability strategy is connected to the expectations of salient stakeholders.

Accessibility was the most important criteria in the selection process. Due to my previous work experience I had numerous connections into Beta as well as Lota. Furthermore, I could leverage some connections to gain access to a top-management representative from Alpha as well as a representative from Gamma. All the previous stated companies were willing to give me deep insights into their strategic orientation. These insights yielded interesting results

and contributed enormously to the quality of this research by bringing forth critical reflections and cause and effect dynamics. The three companies that round off the analysis all were contacted on numerous channels and asked to participate in interviews. There was no response or a decline of the request. Therefore, I analyse these companies with archival data as well as external references from association representatives and competitors. Beyond the organisations subject of this study numerous more were approached but did not response or declined to be interviewed. An overview of the companies and characteristics can be seen in *Table 1*.

| Company        | Sector                     | Size<br>(Nr. of Employees) | Domestic Market |
|----------------|----------------------------|----------------------------|-----------------|
| <b>Alpha</b>   | Producer /<br>Manufacturer | 130.000                    | Europe          |
| <b>Beta</b>    | Producer /<br>Manufacturer | 25.000                     | Europe          |
| <b>Gamma</b>   | Producer /<br>Manufacturer | 15                         | Europe          |
| <b>Lota</b>    | Premium<br>Airline         | 10.000                     | Europe          |
| <b>Epsilon</b> | Premium Airline            | 90.000                     | America         |
| <b>Zeta</b>    | Low-cost Airline           | 15.000                     | Europe          |
| <b>Eta</b>     | Low-cost Airline           | 55.000                     | America         |

*Table 1: Overview of Companies & Key Characteristics*

Source: Created by the author

Visible in *Table 1* is also my decision to anonymise the organisations I analyse for this dissertation. I made this decision for two reasons. First, it protects the insights I gathered from the interviews. I could ensure that the companies, representatives, and statements will be treated anonymously and thereby increase the trust and free-speaking atmosphere during the interviews. Secondly, anonymisation was specifically requested by some of the interviewees and therefore affirmed my decision to extend the anonymisation to all the selected companies. The Greek letter Delta was omitted because of the American airline with the identical name.

### 3.2. Data Collection

The data I considered for this dissertation is composed by primary and secondary data. The primary data consists of semi structured in-depth interviews with different representatives from the aviation industry. The secondary data is composed by archival or publicly available data.

### 3.2.1. Primary Data: Semi Structured In-Depth Interviews

I chose the method of semi structured in-depth interviews for this study because with its advantages it reflects the overall purpose of this dissertation. My goal was to obtain qualitative in-depth insights into the thinking and approaches of management functions in the aviation sector. To achieve this insight but at the same time have a holistic comparability, the method of a semi structured interview format was the obvious choice. It allows me to have a conversational flow during the interview, but at the same time I am guided by a structure which resembles the other interviews and ensures that the interviewees' answers can be put into context with the others (Boyce & Neale, 2006). To create an atmosphere that allows the interviewee to speak freely and comfortably it is important to ask open questions instead of dichotomous questions (Kvale, 1996b). The questions I pre-formulated in the interview-script (*see Appendix 9.1.*) therefore avoid yes or no questions. Also, I included follow-up questions into the script to ensure a conversational flow and further inquiries for each of the questions. With this process it is possible to obtain much more detailed information compared to quantitative methods (Boyce & Neale, 2006). The method also has limitations. Most important this is a "... *prone to bias*" (Boyce & Neale, 2006), meaning that a company representative might be hesitant to disclose negative details about his company while at the same time portray certain elements more positively. During the interviews I paid specific attention to statements which appeared biased in any way. The few instances where I believed an answer to be biased, I asked follow-up questions and went into detail to understand the reasoning and prevent bias in the data collection. Also, since the quality of data relies on the interaction between interviewer and the interviewee, conversations can have different levels of validity and value based on the chemistry between the dialogue partners.

To contextualise the patterns, I observed in the data, it was important for me to challenge my findings with an expert, with a holistic view of the sector. I was pleased to discuss my findings with an industry association, referred to as Theta. Their long-lasting insight into the sector and its actors as well as the close cooperation with regulators and the awareness of international differences made them an excellent reviser for my findings. An overview of the companies as well as the respective data collection can be seen in *Table 2*.

| Company | Primary Data<br>Interview with Representative | Secondary Data |
|---------|---|----------------|
| Alpha   | Top Management<br>Site Manager                | Archival Data  |
| Beta    | Middle Management<br>Division Manager         | Archival Data  |
| Gamma   | Middle Management<br>Senior Strategist        | Archival Data  |
| Lota    | Top Management<br>Department Manager          | Archival Data  |
| Epsilon | /   | Archival Data  |
| Zeta    | /   | Archival Data  |
| Eta     | /   | Archival Data  |
| Theta   | Senior Analyst<br>Sustainability Manager      | Archival Data  |

Table 2: Data Collection Overview

Source: Created by the author

### 3.2.2. Secondary Data

I understand secondary data as “... a collection of data obtained by another by another researcher which is available for re-analysis.” (Sobal, 1981). For this thesis I expanded this term with “... official statistics, administrative accounts, or other accounts routinely made by organisations.” (Hox & Boeijs, 2005). These organisational sources are especially important for my findings because I am reviewing company strategy. I am referring to these organisational accounts as archival data. It is characterised by being internal, meaning that the author is the respective organisation itself, and its public availability.

For my thesis I researched the communicated sustainability strategy for each of the companies. These strategies are presented on the homepages of the respective company. They vary greatly in scope and detail and therefore have different informative value. The most extensive strategy was provided by Lota, whereas Eta provided the fewest information about sustainability. Furthermore, for the assessment of the relationship with regulators I researched news article about the topic. This was especially helpful to understand Lotas relation with national policy as well as Zetas difficult connection to the EU governing bodies.

The main advantage of secondary data is that it is previously structured and organised. The data can be immediately applied to new research questions. Nevertheless, the data must be reviewed in regards of its validity and the context. Since the data was used to answer specific research questions, is it also applicable in other scenarios. A further remark must be made for data that comes from organisational sources. The same bias that is valid for company

representatives needs to be applied to data which comes from organisational sources. This is specially to consider for my findings which are largely influenced by organisational sources compared to the literature background which is largely composed of scientific research.

### **3.3. Data Analysis**

The format for my data analysis is a qualitative multiple case comparison following an inductive process. This section will briefly describe the modules of this process. I understand a case study as “... a research strategy which focuses on understanding the dynamics present within single setting.” (Eisenhardt, 1989). In my case this strategy encompasses several companies and therefore is a study of multiple cases. The cases are contrasted against each other to find differences and thereby draw conclusions to what provokes these differences. The term comparison refers to this cross-case analysis. The inductive process is defined as: “... the search for pattern from observation and the development of explanations, theories, for those patterns ...” (Bernard, 2011).

My goal with the analysis is to analyse the cases and then show the differences in the cases studied. My approach is leaning on the “*Process of Building Theory from Case Study Research*” by Eisenhardt (1989). The scope of my thesis does not allow to include all aspects of the detailed and long-term process the author describes but the steps that I followed for my data analysis are extracted from the procedure described by Eisenhardt. In the first stage of my data analysis the goal was to get started, which was mainly finding and defining my research purpose. Next up, I selected the cases for my analysis. This was a particular difficult step of the process because the communication with some of the selected cases was lengthy and time intensive. Simultaneously, I started with the third step of the analysis process, crafting the instruments and the protocol. The main output from this step, the interview protocol can be seen in the *appendix* under section 9.1. The next step was the analysis of the data I collected in my interviews. This mainly included looking at all my data individually but also look at cross-case patterns. Lastly, I formulated these patterns I observed in the cases and searched for the why in my observations. An overview of the steps as well as a description and justification can be seen in *Table 3*.

| Step                              | Activity   | Reason  |
|-----------------------------------|--|---|
| Getting Started                   | <ul style="list-style-type: none"> <li>• Definition of research question</li> </ul>  | <ul style="list-style-type: none"> <li>• Focuses efforts</li> </ul>   |
| Selecting Cases                   | <ul style="list-style-type: none"> <li>• Neither theory nor hypotheses</li> <li>• Specified population</li> <li>• Theoretical, not random, sampling</li> </ul> | <ul style="list-style-type: none"> <li>• Focuses efforts on theoretically useful cases</li> </ul>                 |
| Crafting Instruments and Protocol | <ul style="list-style-type: none"> <li>• Developing data collection method: Primary and secondary data</li> </ul>  | <ul style="list-style-type: none"> <li>• Fosters divergent perspectives</li> </ul>                                |
| Analysing Data                    | <ul style="list-style-type: none"> <li>• Within-case analysis</li> <li>• Cross-case pattern search</li> </ul>  | <ul style="list-style-type: none"> <li>• Gains familiarity with data and preliminary theory generation</li> </ul> |
| Shaping Hypotheses                | <ul style="list-style-type: none"> <li>• Evidence for construct</li> <li>• Search for "why" behind relationships</li> </ul>                                    | <ul style="list-style-type: none"> <li>• Confirms, extends, and sharpens theory</li> </ul>                        |

*Table 3: Steps of Data Analysis*

Source: Created by the author, content extracted and quoted from Eisenhardt (1989)

My data analysis brought forth three overarching patterns which determine the affiliation with the respective clusters I present in my findings. The first pattern is the business model of the company, so whether the company is operating in a business-to-business or business-to-consumer market. Secondly, it is the value proposition the company is providing for its customers. For example, Alpha has an efficiency value proposition, while Zeta is offering an environmental proposition. Lastly, a determine is the cultural environment. My data analysis showed that there are differences between the markets of America and Europe. The climate debate is a more intensive topic in Europe, which creates different pressures for organisations operating in the European market. These are the patterns I base my choice of cluster on, which build the frame for my data analysis.

## 4. Findings

In the following section I will present the findings extracted from the primary and secondary data analysed as described in the previous section. To build the comparison cases I composed three clusters of companies. Each cluster represents a group of companies at a different point in the aviation industry characterised by their customer segment and overall strategy to serve that segment. I will demonstrate how the affiliation to the respective cluster conditions the understanding of sustainability in one of its dimensions. Furthermore, I will provide explanations how salient stakeholders influence the variation of the sustainability strategies. I refer to salient stakeholders according to the definition by Mitchell et al. (1997) presented in the section 2.1.2. The more pronounced the stakeholder is in the attributes of power, legitimacy, and urgency the more salient he is. The emphasised sustainability dimension in the strategy represents the influence of the most salient stakeholder. The general assumption that the sustainability strategy is related with the influence of salient stakeholders was confirmed during the conducted interviews. When the company representatives spoke about their strategic considerations there was always a sense of external orientation. This orientation varies in between the clusters, group parent, innovation hubs, customers, or employees, but external interests and inputs indeed seem to have a profound input on the sustainability strategy. In the interview with Theta the representative stated: *“I believe that the whole topic of sustainability for aviation is characterized by an external and extremely reactive approach. The real drivers are outside the industry.”*

### 4.1. Cluster 1: Maintenance and Production

The first cluster consists of three companies that probably do not come to mind first, when asking end consumers about the aviation industry. They produce the planes which airlines fly as well as providing the maintenance work for these planes. Their place is in the second row of aviation, but their importance for air travel is immense. As the backbone of the industry, they are the organisations enabling flying in the first place. But being in the second row also comes with perks. As organisations which customers are not individuals but big companies themselves, they are less known and do not face the same public pressure and scrutiny that airlines must handle. This fact resounds in the sustainable strategies of the companies. Although sustainability is in terms of prioritisation and communication very differently pronounced within the cluster the conversion of the concept into company strategy functions for all actors in the same sustainability dimension.

#### **4.1.1. Being Sustainable Means Being Technologically Innovative and Competitive**

- *“For us being sustainable is the necessity of being state of the art technological. The more efficient our airplane the more attractive and competitive we are.”* - Interview with Alpha

During the interviews conducted for this research I asked the representatives of the companies which purpose the companies ultimately derives for itself from the concept of sustainability. The answer in the cluster was consistent. Being sustainable is seen as a mean to be more competitive and profitable. This cluster perceives sustainability primarily in the economic dimension. In the interview with Beta the representative stated: *“The driver for sustainability is absolutely competitiveness and profitability, without that being the ultimate results there will be no effort behind the subject.”*. Beta presents itself as an outlier compared to the other two companies in the cluster. Although acknowledging what potentially would be the trigger to pursue a sustainable strategy the interviewee states that *“... the potential is not big enough for us. Since there is no external pressure for us and therefore no impact on our bottom-line sustainability currently has the priority z for us.”* The quotes show the only driver for a more sustainable alignment of the company could be by an economic motivation. The same can be said for the other two companies in the cluster. They vary fundamentally in their assessment and prioritisation of sustainability, but their motivation and drive originate from the same source. Both see sustainability anchored in their overall value proposition. *“The way we produce sustainable value for our stakeholders is our business model itself”* (Interview Gamma). *“Sustainability is part of our DNA”* (Interview Alpha). Both companies manufacture airplanes. Although their scale could not be further apart (small sport planes versus passenger planes) their approach to sustainability arises from the commitment to build the most technological advanced product possible. *“The main cost driver for the airlines are fuel costs. (...). If we can reduce the amount of burned fuel per flight, we reduce costs while being more ecological at the same time.”* (Interview Alpha). This equation therefore results in the manufactures including sustainability in their business model. They are more competitive and profitable by producing the most efficient possible product which goes hand in hand with the most environmentally sustainable product. Striving for economic success is synonymous to pursuing sustainability.

#### 4.1.2. How Salient Stakeholders Influence the Economic Strategy in the Cluster

I believe that this choice of dimension is influenced by stakeholders who yield elements of power, legitimacy, and urgency. Although the most salient stakeholder varies for each of the companies their influence results in the economic dimension as presented in the previous section.

The most pronounced attribute in this cluster is power, primarily expressed by the resource dependence the companies have from their stakeholders, meaning the instrument of stakeholders to reach salient consideration is the providing of resources considered critical by the company. Legitimacy can also be observed with each of the salient stakeholders. This attribute is mainly expressed through the reputation the companies have in the eyes of other companies, since the sector is mainly relying on business-to-business transactions. Urgency was harder to be observed but nevertheless it became apparent in the interviews that it also plays a role for the companies.

With regards to the cluster being associated with the economic dimension you could think that the critical resource providing stakeholders with power is money. Interestingly this is only partly true. All the organisations also stated intangible resources which they consider as crucial input. Alpha for example stated that for them “... *the connection to innovation is the most important stakeholder*”. Innovation is an umbrella term for universities and research centres which develop new technologies in varying areas of aircraft construction. Since the business model of Alpha is built on technological excellence the constant information exchange about new technologies, which make airplanes more efficient, with innovation hubs like universities, research centres or smaller production companies, is for Alpha the life blood of their entrepreneurial endeavours. All three attributes come into play. Having access to the newest technology is critical for Alpha, while the exclusion from it would have harsh effects on the competitiveness of Alpha. From this derives a powerful dependency. Additionally, the stakeholder gives Alpha legitimacy, “... *for our customer it is important to know that we provide the newest technology, so they can be state of the art.*” (Interview Alpha). Also, the necessity to be state of the art pushes Alpha into constant urgency for innovation which makes the stakeholder group of innovation hubs present in all attributes and therefore salient compared to other groups or individuals. Since the focus is expressed in key words like “... *technological excellence*”, “*efficiency*” or “*state of the art*” a sustainability strategy focus on the economic dimension is the logical consequence.

For Beta the most salient stakeholders my interview partner identified was the parent company Beta Group as well as the big key account airlines which have their aircraft overhauled

by the company. The attributes of power, legitimacy and to a lesser degree urgency were detected in my interview with the company. Power arises for those stakeholders mainly from the financial resources they both provide for Beta. They are depending on approvals for investments or aids in times of crisis by the group parent as well as continuous orders of maintenance on airplanes by both the groups airlines and external customers. I could detect the attribute legitimacy especially while talking about the group parent. *“We are culturally orientated towards the Beta Group. In our self-conception we are all part of the same family.”* (Interview Beta). The quote illustrates how the employees of the company derive their individual legitimacy as a part of something larger than Beta itself. Both relationships, two customers and to the group parent also have negative influences. *“Pressure is only on costs, sustainability has the priority z. The trigger would have to come from the group parent. There will be no internal impulse.”* (Interview Beta). Even though the stakeholders have the means for urgency they only exert it with regards to costs. Since there is no influence pushing for sustainability in the environmental or social dimension, the choice of the economic dimension is the convenient strategy for Beta.

Gamma is operating as an airplane manufacture like Alpha, but the size and the related stakeholder groups could not be more different. While Alpha employees 130.000 people (Statista, 2021) on multiple continents Gamma counts around 15 employees (Interview Gamma). This makes the circle of stakeholder much smaller and therefore contributes to a high concentration of power, legitimacy, and urgency in one stakeholder, identified by Gamma as their customers. First and foremost, they are relying on them for financial resources. But in the interview with Gamma the company said that the customer is also crucial as a provider of feedback. *“The inputs we receive from our stakeholders is mainly from our customers, who request us to build aircraft as efficient as possible, both in terms of aerodynamics and structure weight, in order to save unnecessary fuel consumption while improving their flight experience.”* We observe the same mixture of power and legitimacy within this stakeholder, the same as for Alpha. Striving for efficiency is valued with greater demand by the consumer and therefore aligned with a pursuit of greater sustainability. The economic sustainability dimension and the economic success mutually benefit each other. Urgency as an attribute was no focus point during the interview.

To summarise, all the previous companies understand the term of sustainability motivated by economic factors. This is driven by the input and interests of salient stakeholders. They are salient because they combine the attributes of power and legitimacy, and with some exceptions also of urgency.

### **4.1.3. The Delimitation of other Stakeholders based on Salience**

During my interviews the companies all mentioned other stakeholders which I consider less salient and therefore not causal for the choice of the strategically emphasised sustainability dimension. I base this delimitation on the previous mentioned attributes of salience after Mitchell et al. (1997). The stakeholders mentioned in this section only exhibit weaker presence in the attributes or only can be connected to one of them.

A good example is the stakeholder group of regulators. For Beta this is mainly the senate of the city of Hamburg. But even while they offer legitimacy by providing approvals and the legislative framework, they do not possess power or urgency. The city is hesitant to hurt the economic location of Hamburg. *“They are too afraid of the loss of jobs. Visible by all the exceptions that Beta is granted.”* (Interview Beta). Although for different reasons the attributes are very similarly pronounced for Alpha. *“... we are simply ahead of what they are asking of us. (...) they profit from us being the most innovative.”* (Interview Alpha). Gamma also mentions regulators but more as a provider of *“... recommendations, limitations and instructions.”* (Interview Gamma). They provide more of a framework in which the company can operate their business instead of an actual active input.

Another stakeholder the representative from Beta mention is the employees. But they seem to lack power and urgency. *“They do more representative statements, but overall are also part of the organisation and therefore part of the culture”.* (Interview Beta).

## **4.2. Cluster 2: Premium Airlines**

The second cluster is composed by the organisations that the end consumer primarily associated with aviation, airlines. As the posterchildren for the industry airlines face different challenges than the previous analysed production and maintenance companies. Their position comes with the advantages of prominence and publicity but that also stretches to the demand of greater responsibility by society. The call for action is furthermore shaped and intensified by the clientele of an airline. The analysis of the primary and secondary data showed distinct differences in the sustainability strategy of premium airlines compared to low-cost airlines. The following section will analyse and demonstrate how the sustainability strategy of premium airlines differ from the other clusters. This will again be explained by what the companies identify as salient stakeholders and the type of influence these stakeholders exert.

#### 4.2.1. Being Sustainable Means Being Ecological

- „*There’s no challenge we face that is in greater need of innovation than environmental sustainability.*” - CEO Epsilon (Epsilon, 2020)

In the interviews as well as the secondary data which was analysed for this research it became obvious that both the premium airline cases have a very environmental focus in their sustainability strategies. This is demonstrated by three layers in their strategy which can be found for both Epsilon and Delta. Those layers are direct quotes from executive employees, the space granted to the topic within the company communication as well as the concrete goals that the company commits itself to.

The quotes gathered from the interview with Lota emphasised a sustainability concept that is not driven by economic consideration but by a perceived responsibility towards the planet and the role that the emissions of air travel play for climate change. Furthermore, the importance of the strategy is considered the highest only behind the current fight against the impact of the COVID pandemic. *“After the pandemic environmental sustainability and our contribution and responsibility is the most important strategic topic.”* (Interview Lota). The responsibility for the environment is also stressed by the CEO of Epsilon, stating *“... it is our responsibility to deliver on our promise to bring people together and ensure the utmost care for our environment.”* (Epsilon, 2020). The managerial verbal commitment is complemented by a very active communication about the topic environmental sustainability. Both airlines have a tab linking to their sustainability communication on their initial homepage. Epsilon has an overview of different topics and related articles. The site has an easy navigation and communicates their ambitious goals, and the pioneering role Epsilon wants to take in the fight against harming the environment. Lota even presents targets and articles in each of the three sustainability dimensions. The focus on the environmental component can also be detected here, with the environmental targets and information being the most extensive and most detailed compared to the other two dimensions. Lastly, both airlines present environmental goals. Important here is that they tie their success to quantifiable values and goals. Lota want to halve the CO<sub>2</sub> balance by 2030 and ensure they are neutral by 2050. Epsilon Airlines is even more ambitious committing themselves to mitigate all emissions from its global business within 10 years and investing 1 billion USD into their measures (Epsilon, 2020).

To summarise, both premium airlines present a multilevel strategy focused on the environmental dimension of sustainability. A focus that varies from cluster 1, where the sustainability strategy was founded on economical sustainability.

#### **4.2.2. How Salient Stakeholders Influence the Environmental Strategy in the Cluster**

In my interviews as well as the research of secondary data it became apparent that the stakeholder possessing high attribute levels in power, legitimacy, and urgency is the flying passenger, the end consumer. The power the customer has is easy to grasp. With their choice of airline customers provide financial resources to run their business operations. *“We are in the hands of the customer. Our economic survival depends on them.”* (Interview Lota). The attribute of legitimacy is also strongly affected by the customer. The reputation and image of the airline depend on their perception by customers and the society in general. A company which is refusing to acknowledge environmental concerns strategically will experience declines in legitimacy and reputation (Bansal & Roth, 2000). This is especially true for companies operating in a premium price segment where customers are less price sensitive and therefore more focused on other arguments. Since the stakeholder group of the end consumer is also much more heterogenous the urgency with which they can affect organisations is hard to predict and complex. An example is the Lota referendum on a new emission legislation which would have hit the profitability of Lota significantly. The referendum narrowly failed (Bundesamt für Umwelt BAFU, 2021) also because *“... we believe the population had trust in us as an industry leader in taking the necessary steps anchored in our sustainability strategy.”* Another example is that Lota got customer feedback to offer the possibility of an emission compensation for their customers, which the airlines swiftly implemented (Interview Lota). Epsilon is even trying to position themselves as an expression of environmental urgency by stating: *“When customers choose to fly Epsilon, they should feel they’re making a statement about taking care of our planet.”* (Epsilon, 2020).

To recapitulate, customers of premium airlines exhibit increasing concerns for environmental issues. Since the customer fulfils all attributes of salience premium airlines acknowledge their concerns and focus with their sustainability strategy. *“In the centre of our business endeavours is always the customer. We connect people with air travel. Our strategic orientation is always an expression of our customer orientation.”* (Interview Lota).

#### **4.2.3. The Delimitation of other Stakeholders based on Salience**

In my analysis of the data both airlines mention and discuss other stakeholders. Like cluster 1 regulators and employees are mentioned and similarly both only exhibit manifestations in some of the attributes. Regulators are more a topic for Lota. Both EU and national legislation

are pushing for more incisive levies for companies which produce high emissions. This falls under the power attribute which becomes especially clear when thinking about the reward and punishment nature of this attribute. Although the legislation is threatening the profitability of the company the representative stated that “... especially in Switzerland the regulators are more an expression of public opinion because of the direct democracy.” (Interview Lota). Therefore, regulators are an expression of the customer and align with the strategic focus of Lota. Compared to Europe American legislation is less aggressive. Epsilon is understanding itself as a pioneer which is therefore ahead of legislative measures, similar to Alpha. The regulators also provide the organisations with legitimacy and can become urgent, like the Lota referendum showed. Even though all these attributes are present they still are weaker compared to the customer. Therefore, I perceive the salience as subordinate.

Employees are also a point of emphasis for both companies. For example, Epsilon states it will provide “...\$1.6 billion in profit sharing to employees this Valentine’s Day”. (Epsilon, 2020). But the employees for both companies do not seem to yield real power, create urgency, or contradict the legitimacy of the company. Their salience can be easily recognised as subordinate.

### **4.3. Cluster 3: Low-cost Airlines**

The third cluster consists of another pair of airlines. At first glance they are very similar to the airlines described in cluster 2 but on closer examination the low-cost airlines show significant differences in their strategic orientation. This section will describe this orientation again as a result of stakeholder salience. The two airlines, Zeta and Eta can be delimited from cluster 2 based on their emphasised dimension. Zeta is focusing on the economic dimension, while Eta is putting the social dimension in the foreground.

#### **4.3.1. Being Sustainable Means Something else than Environmental**

- “Europe’s no.1 airline for carbon efficiency.” - (Zeta, 2020)

- *Our people are our single greatest strength and most enduring long-term competitive advantage.*” - CEO Eta (Eta, 2019)

Researching the sustainability strategy for the two low-cost airlines yielded interesting results. Even though the companies operate in the same markets as Epsilon and Lota they

deviate in their sustainability strategy. In the interview with Lota the interviewee was hinting at a difference in strategy between the premium and low-cost airlines. *“Low-cost airlines don't have the possibility of committing in the same way to environmental goals. The margins are way too small.”* In the interview with Theta this was confirmed, *“... low-cost airlines have to have a different focus by economic necessity.”* The cost structure of low-cost airlines prevents the companies from committing to environmental goals in the same way. The result is that each of the airlines decides for a different sustainability dimension. Zeta is emphasising the economic dimension. Like cluster 1 they argue for the use of higher efficiency airplanes and thereby becoming more sustainable. Interestingly they basically occupy the strategy from the airplane manufactures. Efficient airplanes are not an internal value creation, they are a purchased promise. Furthermore, the strategy layers consisting of quotes, scope of communication and concrete goals are all weaker pronounced. There are no direct quotes from executives presented on the website. The scope of the communication in comparison is much smaller and less detailed. And while the premium airlines both are committed to carbon neutrality, Zeta only commits to be plastic free by 2025 (Zeta, 2020). Eta goes into another direction with their strategy. Their strategy is emphasising the social dimension. Sustainability for Eta means the family feeling of the company and the relationships within the company but also with their external stakeholders. On the website of the company, it is difficult to even find statements around sustainability and responsibility. After a while of searching the company describes their sustainability approach stating: *“... we take great strides to ensure your safety, and fostering trusting relationships between our Employees, our Customer, our Suppliers, and our Planet.”* (Eta, 2019). There are no concrete environmental goals, relationships and family values are in the centre of company communication.

#### **4.3.2. How Crucial Stakeholders Influence the Choice of Dimension in this Cluster**

The salient stakeholder helping to shape the strategy is the same as it is for the premium airlines. It is first and foremost the paying customer of the airline. But the customer profile varies, which enables the low-cost airlines to refrain from committing to a strategy in the environmental dimension in the same way. Premium airlines advertise for customers which are willing to pay more but therefore also expect a more environmental focus. Epsilon even used this higher willingness to pay as making an environmental statement by choosing the airline. *“We recognise a change in demand for mor climate action primarily in well-educated, wealthier younger customers that are willing to pay more for the flight if they feel like it is less harmful to the environment.”* (Interview Theta). Low-cost airlines are targeting customers with

the value proposition of price. The attributes power, legitimacy and urgency are all present like they are for cluster 2. The difference is that the customer simply does not exert these attributes in the same way. The attribute of power is almost exclusively tied to the price of a flight, same as the legitimacy of the company. Since the customer is mainly concerned with price, he does not evoke any urgent demands for more sustainability. Rather than having to commit to the environmental dimension like Lota or Epsilon the two companies have the freedom choose strategies that are easy to present and do not affect the low-cost pricing strategy

#### **4.3.3. The Delimitation of other Stakeholders based on Salience**

The stakeholders that play a minor role in shaping the strategy of the low-cost airlines are equal to the ones discussed in the previous cluster: Regulators, and employees. Eta profits from the same restraint of regulators in the American market. This restraint is even amplified for the airline by the fact that Eta is more focused on the national market while Epsilon is flying more international routes. Zeta as Irelands biggest company and employer as a national business flagship is supported by the Irish government. The relationship with EU lawmakers is strained since Zeta is suing against the aid payments to big national airlines during the COVID pandemic. The EU is more on the defence with Zeta's aggressive approach. Zeta's CEO called the aid payments: "... *doping, nakedly political corrupt decisions*" (Saeed, 2020). The quote shows hardened fronts instead of mutual beneficial flows of resources. Another stakeholder that has an ambiguous role especially for Eta is the employee. Even though Eta puts the employee in the centre of their sustainability communication it does not become clear what resources or motivations the employees provide in terms of sustainability. In Zeta's communication the employee plays no role and therefore will for this research not be considered a salient stakeholder.

## 5. Discussion

The overarching thought that comes to mind when I think about my analysis, is that the data showed the approach to sustainability is reactive more than proactive. It emerges that most strategies are the results of external pressure and interests rather than intrinsic proactiveness. The quote from my interview with the association Theta sums it up: *“I believe that the whole topic of sustainability for aviation is characterized by an external and extremely reactive approach. The real drivers are outside the industry.”* My thesis in its essence is a quest for these drivers outside the industry and how they exert their influence. I found those drivers in the salient stakeholders and the influence in their expectations. Who is considered a salient stakeholder does not vary drastically in between the companies. For the three production companies the salient stakeholders differ a little, but for the airlines the answer was consistently the customer, a stakeholder that is also important for the production and maintenance cluster. To determine internal homogenous and in comparison, heterogenous clusters other factors than the stakeholder itself must delimit them. I found this factor in the expectations of the salient stakeholders. I believe based on my analysis that what ultimately pushes stakeholders to impose pressure on the sustainability strategy of a organisations is their expectations. These expectations have three primary characteristics. These characteristics are the business model of the company, the value proposition it provides for its customers and the cultural variables of the organisation’s surroundings.

First, the business model of the company is important for the expectations. If the customer of a company is a company themselves their expectations will be very different from an individual end consumer. Also, the value proposition the stakeholder is expecting from the company is important. What is the key factor in the purchase decision? This contrast can be seen very well between the premium airline cluster and the low-cost airline cluster. The stakeholder is the same, but for the premium airlines the sustainability strategy must serve higher expectation, while the low-cost airline customer is mainly focused on price. Lastly, cultural variables play a role in expectations. Companies operating in the European market have stakeholders with higher sustainable expectations compared to the US market. This is based on the cultural differences between the US and Europe. The sustainability is a much bigger debate topic in Europe and therefore demands bigger consideration. An overview of the expectations can be seen in *Table 4*.

|   | <b>Expectation Variable</b> | <b>Characteristic</b>                                 |
|---|-----------------------------|---|
| <b>Cluster 1</b><br><b>Maintenance and Production</b> | <b>Business Model</b>       | Business to business                                  |
|   | <b>Value Proposition</b>    | Efficiency, Innovation                                |
|   | <b>Cultural Variable</b>    | Multinational   |
| <b>Cluster 2</b><br><b>Premium Airlines</b>           | <b>Business Model</b>       | Business to consumer                                  |
|   | <b>Value Proposition</b>    | Premium travel, more sustainable compared to low-cost |
|   | <b>Cultural Variable</b>    | Multinational   |
| <b>Cluster 3</b><br><b>Low-cost Airlines</b>          | <b>Business Model</b>       | Business to consumer                                  |
|   | <b>Value Proposition</b>    | Price   |
|   | <b>Cultural Variable</b>    | Multinational, Eta only American market               |

*Table 4: Overview of Stakeholder Expectation Variables*

Source: Created by the author

## 6. Contribution to Research

My research question is: *How do salient stakeholders influence the sustainability strategies of organisations?* I believe that my insights and analysis let me answer this question. The sustainability strategy of companies varies based on the expectations of salient stakeholders, while these expectations are dictated by the business model, the value proposition, and the cultural variables of the respective stakeholder. By unveiling these primary characteristics of stakeholder influence I provide an answer which stakeholders can push company strategy in a direction in terms of the sustainability dimension as well as how they impose this pressure. With the words of Freeman (1994), my analysis shows "*The Principle of Who or What Really Counts.*". The who is connected to stakeholder salience. With the help of the stakeholder typology based on Mitchell et al. (1997) I could delimit between the stakeholders and identify the salient stakeholders for each of the companies. It is important to clarify, that the differentiation in clusters or influence for my thesis is not a result of the stakeholder salience. What matters is the variation in expectation. It is the three characteristics of expectations that predict the understanding of sustainability. This is especially important when considering that these characteristics are a more dynamic, frequently changing construct. Therefore, the handling of these expectations brings more managerial challenges.

The expectations of stakeholders are not only shaped by the stakeholder themselves but furthermore are subject of organisational influence. This goes back to the theoretical concept of "reciprocity" by Harrison and Bosse (2013). The concept investigates the flow of influence between organisations and their stakeholders, benefiting each other positively. This mutual reciprocity is very evident in my analysis. The sustainability strategy of the companies is influenced by the expectations of the stakeholders. These expectation on the other hand are influenced by the organisations themselves. Especially with the business model and the value proposition, the companies have a major influence on the expectations of the stakeholders. Sustainability strategy is therefore shaped by a mutual flow of influence that involves both parties, the organisation as well as the stakeholders. I contribute to research by demonstrating the concept of reciprocity.

My dissertation also shifts its focus from conventional research which normally takes stakeholders as a rigid variable and then investigates its impact on organisations. My analysis investigates the variations and differences in stakeholders, and which impacts these variations have for companies. I contribute to research by elaborating the three variables which

characterise stakeholder expectation. The business model, the value proposition and the cultural circumstances will predict the strategic behavior of an organisation.

Besides stakeholder theory the other theoretical building block of my thesis is sustainability. How do my findings relate to this field of study? Previously I presented the *need to double down* and raised the question if stakeholder management could be an instrument in the quest for more sustainability. Research currently fails to provide a clear answer whether stakeholder theory can be a viable tool for more sustainability. My dissertation claims that whether a stakeholder pushes an organisation to be more sustainable depends on the individual expectations by the respective stakeholder. I believe that if connected to the right motivation, stakeholder theory can in fact be an answer to push organisations into a more sustainable behavior. Also, my findings provide a blueprint on how to forecast company sustainability strategy. If the sustainability strategy is a result of stakeholder expectations in a recurring framework of the business model, the value proposition, and the cultural variables, you can plug in different organisations and predict their strategic orientation by looking at their stakeholders

## **7. Limitations and Outlook on Future Studies**

### **7.1. Limitations**

There are several limitations that need to be considered regarding my thesis. First, there is an imbalance in my selection of companies and especially in the accessibility of the cases subject to this thesis. Also, it is not to be excluded that the aviation sector is a special case and generalised conclusions are not valid. Furthermore, there is also a cultural imbalance present and therefore an increased danger of a cultural bias. This section will explain these limitations briefly.

The imbalance in the selection of my companies was explained in *section 3.1*. Since the process was based on the agreement to an interview and I leveraged personal connections to find interview partners, the selection of the companies includes a personal factor that could influence results. Also, some companies gave interviews while the analysis of others are purely based on archival data, which is a different grade of detail.

As discussed earlier, the aviation industry is seen as a big emission driver and therefore faces different public pressure and exposure than other sectors. My aspiration is to have investigated a universal correlation but there is still the possibility of the aviation industry being an outlier.

Lastly, my interview partners were all European. The two American companies were analysed based on archival data. This limitation increases the possibility of a cultural bias.

### **7.2. Outlook on Future Studies**

To further validate my results, I would propose future studies that tackle the previous presented limitations. First, to find interview partners from all companies and thereby have the same data basis for all the cases. Secondly, I would propose that my conclusions are validated statistically so a bilateral vision of the results is possible. Also, I would extend the same research design to other industries with different characteristics to check if my results and conclusions still hold up. Furthermore, I would propose a stronger look into the American market to formulate an in-depth understanding of the cultural differences and thereby eliminate the chance of any cultural bias.

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## 9. Appendix

### 9.1. Interview Script including Follow-Up Questions and Goal for respective Question

#### 1.

Speak very briefly about the sustainability strategy of the company, emphasise key points in the strategy.

Why did you decide on this focal points/key factors?

*A question for the interviewee to ease into the interview. Furthermore, a chance to point out the essence of their strategy.*

#### 2.

Who do you consider your most important stakeholder?

*Follow Up:*

Why are they of primary importance?

*Investigate the prioritisation of stakeholders.*

#### 3.

Who do you consider as a stakeholder but of a minor importance?

*Follow Up:*

Why are they of secondary importance?

*Investigate the prioritisation of stakeholders.*

#### 4.

From an environmental point of view, which of your stakeholder do you consider the most important and why?

Social point of view?

Economic point of view?

*Understanding of which of the stakeholders is important in which sustainability dimension.*

*Comparison between important stakeholders and stakeholders in dimensions. For example, if stakeholder is not that important but is most important sustainable, how environmentally focused can the strategy of the company be?*

**5.**

How does thinking in terms of stakeholders influence your sustainability strategy?

*Follow up:*

How do you create sustainable value for your stakeholders?

**6.**

What kind of input do you receive from your stakeholders regarding the topic sustainability?

*Follow Up:*

How do you perceive the topic compared to other topics in terms of priority for them?

*Investigate who in the relationship is the driver of sustainability.*

**7.**

How do you design your sustainability strategy? Would you describe the process more proactive or as an answer to external requirements?

*Follow Up:*

How do you manage input from your stakeholders, what influence do they have in the design process?

*Investigate how do they engage with stakeholder during strategy design.*

**8.**

What are the stakeholder (groups) that you engage the most with and why?

*Follow Up:*

What are the dominant topics when talking with those groups?

*A chance for interviewee to characterise who is most engaged and in which dimension the topics discussed are.*

**9.**

What is in your view the biggest differentiator in your strategy compared to other airlines?

*A chance to hint at the factor that gives the airline a competitive advantage within their strategy. What distinguishes their strategy. Connected to stakeholder management with previous question.*

**10.**

What would you say are the main advantages from implementing your strategy? Is it an advantage in terms of profitability and competitiveness.? Is it to comply with public and regulators requirements? Is it to create value beyond your company for multiple stakeholders?

*Follow Up:*

If it is stakeholder value, why is do you think this is the biggest advantage?

*Investigate the main drivers for their strategy.*

**11.**

What do you think about the notion that sustainability is a means to its own end versus a sustainable focus contributing to higher levels of overall profits in a long-term perspective?

*Lesser Importance question. Does the company see sustainability as a necessary evil or as a chance to increase their profitability?*

**12.**

Within the frame of your company's vision and mission what role does sustainability have? How high is the importance compared to other strategic focal points?

*Lesser Importance question. Understand what role sustainability plays in the overall strategy of the company.*

**13.**

In which ways do you try to influence companies (suppliers, partners) to become more sustainable?

Why do you think this is important/ not important, is this part of your responsibility?

*Lesser Importance question. Test the assumption of an environmental focus affecting other companies and individuals in a stakeholder network.*

## 9.2. Overview of Cases and Stakeholders with Salience

| Company | Stakeholder                         | Attribute  | Salience | Quote  |
|---------|-------------------------------------|------------|----------|--|
| Alpha   | Innovation Hubs<br>Dominant         | Power      | High     | "... the connection to innovation is most important stakeholder".  |
|         |                                     | Legitimacy | High     | "... for our customer it is important to know that we provide the newest technology, so they can be state of the art."   |
|         |                                     | Urgency    | High     | Always new technologies, therefore always urgency to select and implement  |
|         | Key Accounts Airlines<br>Definitive | Power      | High     | Financial. "The main cost driver for the airlines are fuel costs. (...). If we can reduce the amount of burned fuel per flight, we reduce costs while being more ecological at the same time." |
|         |                                     | Legitimacy | High     | Business to business company, reputation and trust by clients very important   |
|         |                                     | Urgency    | Medium   | "... for our customer it is important to know that we provide the newest technology, so they can be state of the art." "Focus always the same"   |
|         | Regulators<br>Discretionary         | Power      | Medium   | "... they profit from us being the most innovative."   |
|         |                                     | Legitimacy | High     | Governing bodies   |
|         |                                     | Urgency    | Low      | "... we are simply ahead of what they are asking of us. (...)". "Europe is heavy regulated, nationally it varies." (ERA)   |

| Company | Stakeholder                                    | Attribute  | Salience | Quote   |
|---------|--|------------|----------|---|
| Beta    | Group Parent<br>Dominant                       | Power      | High     | Financial dependency  |
|         |  | Legitimacy | High     | "We are culturally orientated towards the Lufthansa Group. In our self-conception we are all part of the same family."  |
|         |  | Urgency    | Medium   | The trigger would have to come from the group parent. There will be no internal impulse."   |
|         | Key Accounts<br>Definitive                     | Power      | High     | Financial dependency  |
|         |  | Legitimacy | High     | Business to business company, reputation and trust by clients very important  |
|         |  | Urgency    | Medium   | "The driver for sustainability is absolutely competitiveness and profitability, without that being the ultimate results there will be no effort behind the subject." "Pressure is only on costs, sustainability has the priority."        |
|         | Regulators<br>City of Hamburg<br>Discretionary | Power      | Medium   | "They are too afraid of the loss of jobs. Visible by all the exceptions that LHT is granted."   |
|         |  | Legitimacy | High     | Governing body  |
|         |  | Urgency    | Low      | "Since there is no external pressure for us and therefore no impact on our bottom-line sustainability currently has the priority z for us." "They are too afraid of the loss of jobs. Visible by all the exceptions that LHT is granted." |
|         | Employees<br>Discretionary                     | Power      | Low      | "... but overall are also part of the organisation and therefore part of the culture".  |
|         |  | Legitimacy | High     | /   |
|         |  | Urgency    | Low      | "They do more representative statements ..."  |

| Company | Stakeholder                        | Attribute  | Saliency | Quote   |
|---------|------------------------------------|------------|----------|---|
| Gamma   | Customer<br>Definitive<br>Dominant | Power      | High     | "The inputs we receive from our stakeholders is mainly from our customers, who request us to build aircraft as efficient as possible, both in terms of aerodynamics and structure weight, in order to save unnecessary fuel consumption while improving their flight experience." |
|         |                                    | Legitimacy | High     | "The way we produce sustainable value for our stakeholders is our business model itself"  |
|         |                                    | Urgency    | Medium   | /   |
|         | Regulators<br>Discretionary        | Power      | Medium   | Company to small to really be on governing radar  |
|         |                                    | Legitimacy | High     | Governing body  |
|         |                                    | Urgency    | Low      | "... recommendations, limitations and instructions."  |

| Company | Stakeholder                | Attribute  | Saliency | Quote  |
|---------|----------------------------|------------|----------|--|
| Delta   | Customer<br>Dominant       | Power      | High     | "We are in the hands of the customer. Our economic survival depends on them."  |
|         |                            | Legitimacy | High     | The reputation and image of the airline depend on their perception by customers and society in general (Bansal & Roth, 2000).  |
|         |                            | Urgency    | High     | "In the centre of our business endeavours is always the customer. We connect people with air travel. Our strategic orientation is always an expression of our customer orientation." |
|         | Regulators<br>Dependent    | Power      | Medium   | "... especially in Switzerland the regulators are more an expression of public opinion because of the direct democracy."   |
|         |                            | Legitimacy | High     | Governing bodies   |
|         |                            | Urgency    | Medium   | Example Swiss referendum. Got voted against. "Europe is heavy regulated, nationally it varies." (ERA)  |
|         | Employees<br>Discretionary | Power      | Medium   | Mentioned in suitability strategy but not point of emphasis  |
|         |                            | Legitimacy | High     | /  |
|         |                            | Urgency    | Low      | No information   |

| Company | Stakeholder                 | Attribute  | Saliency | Quote   |
|---------|-----------------------------|------------|----------|---|
| Epsilon | Customer<br>Dominant        | Power      | High     | "... it is our responsibility to deliver on our promise to bring people together ..."   |
|         |                             | Legitimacy | High     | The reputation and image of the airline depend on their perception by customers and society in general (Bansal & Roth, 2000). |
|         |                             | Urgency    | High     | "When customers choose to fly Delta, they should feel they're making a statement about taking care of our planet."            |
|         | Regulators<br>Discretionary | Power      | Low      | No focus  |
|         |                             | Legitimacy | High     | Governing bodies  |
|         |                             | Urgency    | Low      | "Sustainability is a European movement. No big topic in the USA" (ERA)  |
|         | Employees<br>Discretionary  | Power      | Low      | Not mentioned in sustainability strategy  |
|         |                             | Legitimacy | High     | /   |
|         |                             | Urgency    | Low      | No information  |

| Company | Stakeholder                | Attribute  | Saliency | Quote  |
|---------|----------------------------|------------|----------|--|
| Zeta    | Customer<br>Dominant       | Power      | High     | Financial dependency   |
|         |                            | Legitimacy | High     | Performance based on passengers transported  |
|         |                            | Urgency    | High     | "Price is number 1 2 and 3 reason when deciding for a flight in the customer segment." (ERA).  |
|         | Regulators<br>Dependent    | Power      | Medium   | Not that much pressure from Irish government. "Member states of EU have very different agendas when it comes to sustainability". (ERA) |
|         |                            | Legitimacy | High     | Government bodies  |
|         |                            | Urgency    | Medium   | "Europe is heavy regulated, nationally it varies." (ERA)   |
|         | Employees<br>Discretionary | Power      | Low      | No information   |
|         |                            | Legitimacy | High     | /  |
|         |                            | Urgency    | Low      | No information   |

| Company | Stakeholder                 | Attribute  | Saliency | Quote  |
|---------|-----------------------------|------------|----------|--|
| Eta     | Customer<br>Dominant        | Power      | High     | Financial dependency   |
|         |                             | Legitimacy | High     | Performance based on passengers transported  |
|         |                             | Urgency    | High     | "Price is number 1 2 and 3 reason when deciding for a flight in the customer segment." (ERA).    |
|         | Regulators<br>Discretionary | Power      | Low      | No focus   |
|         |                             | Legitimacy | High     | Governing bodies   |
|         |                             | Urgency    | Low      | "Sustainability is a European movement. No big topic in the USA" (ERA)                           |
|         | Employees<br>Discretionary  | Power      | Medium   | "Our people are our single greatest strength and most enduring long-term competitive advantage." |
|         |                             | Legitimacy | High     | Focus of sustainable strategy, "...fostering trusting relationships ..."                         |
|         |                             | Urgency    | Low      | No information   |