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**Regulating “Who We Are”: How EU Sustainability Regulation Triggers Identity Change
and Shapes (or Stalls) Strategic Transformation in Automotive Firms**

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Abstract

This thesis uses the European automotive sector as an illustrative case to examine how firms respond to EU sustainability regulations through the lens of organizational identity. While such regulations aim to drive transformative change, responses often remain compliance-driven and symbolic. Drawing on interviews with OEMs and a sustainability expert, the study finds that identity dynamics shape whether regulation prompts deep, coherent change. It introduces the Strategic Identity Alignment Framework (SIAF), which links regulatory disruption to identity and strategy alignment. The findings offer insights for scholars of sustainability transitions and top managers in legacy industries navigating identity-rooted tensions in strategic transformations.

Keywords

Organizational Identity, Sustainability Transformation, Strategic Adaptation, Identity Change
Regulatory Disruption, Automotive Sector

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1. Introduction:

“The planet will probably survive what we are doing to it, but we might not” (Morgan, 2024). Nearly a decade after the Paris Agreement, the urgency to implement meaningful sustainability strategies remains existential and is only intensifying. Yet across industries, firms still fall short of aligning core business models with climate targets (Cenci et al. 2023). Many publish sustainability roadmaps, adopt ESG disclosures and communicate long-term ambitions, while day-to-day decisions remain anchored in established business models and values. As a result, sustainability efforts persist as a secondary concern, driven more by compliance than authentic transformation. This tension is evident in the European automotive industry. With 16% of the EU’s CO₂ emissions, the sector faces increasing pressure to decarbonize (IIGCC 2025). At the same time, it contributes 7% to European GDP and supports 13 million jobs, making its transition economically, environmentally and socially complex (Deubner et al. 2025). For decades, these firms built their identities on engineering excellence, performance and combustion technology. Today, increasingly enforced by regulations, they are expected to become sustainable, digital and service-oriented mobility providers. But this shift is neither linear nor coherent. Some firms proclaim bold sustainability visions while continuing to prioritize high-margin combustion engine vehicles and lobbying against the very regulations they publicly endorse (Dahl 2025). These contrasts highlight the challenges in aligning strategic actions with proclaimed purpose and values.

Therefore, this thesis argues that strategic planning and regulatory compliance alone are insufficient to advance sustainability transformations. What matters is how organizations interpret and internalize these pressures through the lens of organizational identity (OI). Defined as the shared sense of “who we are” as a company, OI is an underutilized yet powerful lens to explain why firms respond differently to the same external mandates (Ravasi and Schultz 2006;

Cornelissen, Haslam, and Balmer 2007). While research on organizational identity, regulatory pressure, and sustainability strategy is well established, few studies have explicitly examined the dynamic of how regulation can catalyze identity change, and how identity, in turn, mediates strategic adaptation to regulation, particularly in the context of sustainability transitions and for legacy sectors undergoing existential disruption.

This thesis addresses that gap by investigating how EU sustainability regulations interact with identity-rooted tensions in the automotive sector. And so, the research question asks: How do organizational identity (OI) dynamics influence the response of firms to sustainability regulations, and to what extent do these dynamics shape the depth and coherence of strategic transformation?

The remainder of this study begins with a literature review on OI, sustainability integration and regulatory pressure. It then outlines the qualitative approach and presents findings from interviews with representatives of five European automotive firms and one consultant. The findings are then discussed in relation to identity formation and change theories and used to develop a hybrid framework that links regulatory disruption to strategic and identity transformation. It concludes with an outlook on how to navigate sustainability transformations more effectively using OI.

2. Literature Review

2.1. Organizational Identity as a Lens for Strategic Change

Defining Organizational Identity: To understand how external pressures interact with organizations and how this, in turn, translates to strategic responses, we first explore the lens of identity. Identity in the organizational context has been studied for decades and from different perspectives. While *corporate identity* emphasizes how organizations position and communicate what they stand for to external audiences (Van Riel and Balmer 1997) and *social identity* focuses on how individuals define themselves within organizational contexts (Tajfel and Turner 1979),

organizational identity (OI) bridges both by addressing how members collectively understand and articulate who the firm is (Albert and Whetten 1985; Cornelissen, Haslam, and Balmer 2007).

Originally, the concept of OI was defined as a set of organizational attributes which are perceived by its members as central, enduring and distinctive (CED) (Albert and Whetten 1985). It reflects how organizations try to answer the questions of “Who are we?”, “What kind of business are we in?” and “What do we want to be?” (Albert and Whetten 1985; Cornelissen, Haslam, and Balmer 2007). By encapsulating what internal members perceive and think about their organization, a collective self-definition is adopted and serves as a frame to interpret internal and external influences (Cornelissen, Haslam, and Balmer 2007). Therefore, OI offers an internalized perspective to explain how organizations position and characterize themselves (Pérez and Del Bosque 2014; Cornelissen, Haslam, and Balmer 2007; Hatch and Schultz 2002). While the concept of OI initially emphasized stability, through “enduring” characteristics, recent scholarly debates argue that identity is an evolving, dynamic and negotiated process (Gioia and Chittipeddi 1991; Gioia, Schultz, and Corley 2000; Pérez and Del Bosque 2014; Graf et al. 2023). From a social constructivist perspective, OI is continuously (re)formed through the interactions of its members, which shifts the analytical focus from what organizations are to how they make sense of themselves, especially in response to external disruption (Graf et al. 2023).

Identity Change and Strategic Transformation: Although its impact in practice is often reduced to superficial cultural and branding functions, literature argues that OI acts at a deeper level, where it provides both stability and meaning, helping firms to preserve coherence even in dynamic environments (Cornelissen, Haslam, and Balmer 2007; He and Baruch 2009). When organizations face external disruptions (i.e., technological, regulatory or societal), these can act as “identity threats”, challenging the core assumptions that underpin how the organization defines itself (Gioia,

Schultz, and Corley 2000; Ravasi and Schultz 2006; Petriglieri and Devine 2016). In such moments, the existing OI not only becomes the object of disruption but also the interpretative lens through which the organization interprets whether external pressures align with its self-understanding or demand more fundamental change (Ravasi, Tripsas, and Langley 2020). Organizational responses are not shaped by external triggers alone, but by how well these pressures resonate with embedded identity assumptions and self-understandings (Cornelissen, Haslam, and Balmer 2007). As such, OI enables sensemaking in times of uncertainty but also conditions the organization's adaptive capacity (He and Baruch 2009; Graf et al. 2023).

However, this often requires the identity itself to be reshaped in the process. Gioia et al. (2013) distinguish between identity *formation* and identity *change*. The OI formation framework proposes change mechanisms in the context of newly founded or restructuring organizations, which unfolds through initial identity claims via new vision statements, followed by meaning voids due to ambiguity around novel meanings, experiential contrasting between individual perceptions and values through sensemaking, and finally a converging consensus about (new) core features of the organization (Gioia et al. 2013). In contrast, OI change describes how mature firms respond to disruptions by reinterpretation of existing identity labels and meanings rather than abandoning them altogether (Gioia et al. 2013). In this view, transformation is achieved through a socially constructed process where top management articulates revised narratives, and members interpret and respond to them (Gioia and Chittipeddi 1991; Gioia et al. 2013). Importantly, Gioia et al. (2013) emphasize that labels often remain in place while their associated meanings evolve. This allows organizations to maintain continuity while orienting toward new external demands.

Still, such processes are rarely linear. Without internal engagement or unresolved meaning ambiguity, studies show that organizations may stall in narrative confusion or fall back to symbolic

responses (Ravasi and Schultz 2006; Gioia et al. 2013; Balzarin and Zirpoli 2023). When strategic change initiatives and OI remain misaligned, firms may face resistance, inconsistent implementation, stakeholder confusion and even reputational risk, which all undermine coherence and legitimacy of change efforts (Painter and Martins 2017; Engert, Rauter, and Baumgartner 2016; Pérez and Del Bosque 2014; Van Riel and Balmer 1997). For example, Keilbach, Hein, and Krcmar (2023) found that digital transformation efforts of a large automotive company were mainly resisted due to unresolved tensions between new digital logics and legacy identity elements rooted in mechanical engineering mindsets or hierarchical structures.

The relationship between OI change (“Who we want to be?”) and strategy (“What do we plan to do?”) is therefore clearly intertwined and highly relevant to shape successful strategic transformation (Ravasi, Tripsas, and Langlely 2020).

Sustainability as an Identity Challenge: OI’s dynamic potential is often constrained by the inertia of long-standing values, routines, and interpretive frames that preserve coherence over time (Gioia et al. 2013; Frostenson, Helin, and Arbin 2022). But as discussed above, external disruptions can challenge such continuity if they act as identity threats. Sustainability has emerged as a systemic identity challenge, driven by societal expectations, technological shifts and increasingly enforced by regulatory mandates (Bubbico 2023; Cabigiosu and Lanzini 2023). By compelling firms to reconsider their core operations’ environmental and social impact, sustainability challenges both their strategy and purpose, making it far more than a technical adjustment (Frostenson, Helin, and Arbin 2022; Balzarin and Zirpoli 2023).

Nonetheless, in practice firms differ in their strategic responses as well as in their interpretation and internalization of sustainability. For instance, Dietsche et al. (2019) revealed that German OEMs (Original Equipment Manufacturers) scored highly on sustainability communication while

underperforming in ecological production metrics. This confirms a lack of sustainability understanding and integration, yielding compliance and superficial responses (Wolff et al. 2020). The concept of “sustainable organizational identity” (SOI) tries to address the gap between formulation and integration and refers to an OI in which sustainability is perceived as central to who the organization is and what it stands for (Frostenson, Helin, and Arbin 2022; Haldorai et al. 2023). SOI entails strategic alignment, operational integration and cultural embedding and supports OI change theory (Gioia et al. 2013) by arguing that sustainability aspects should be actively framed as extensions of core values or labels (Engert and Baumgartner 2016; Frostenson, Helin, and Arbin 2022; Haldorai et al. 2023). Firms with a coherent SOI have exhibited stronger stakeholder legitimacy, improved green innovation capacities and more consistent sustainability performance (Dinarjito and Ahmar 2023; Haldorai et al. 2023). While no direct reflection in financial gains has been established so far, from a resource-based view (RBV), it has been argued that SOI can be a strategic asset (Ratnawati et al. 2024). If integrated deeply, it is valuable for internal coordination, rare among competitors, difficult to imitate due to its cultural embeddedness and non-substitutable as a foundation for strategic coherence (Ratnawati et al. 2024). However, existing literature on SOI primarily focused on cases where sustainability is voluntarily adopted (Frostenson, Helin, and Arbin 2022; Haldorai et al. 2023), while little is known about how SOI may emerge under regulatory enforcement, even as many sectors remain far from climate targets. In sum, the way organizations interpret and internalize sustainability through their OI critically shapes whether transformation stays symbolic or becomes a credible, strategically integrated response.

2.2. Regulatory Pressure as a Catalyst for Organizational Change

Institutional and Legitimacy Responses to Regulation: While sustainability is argued to create

pressure through evolving expectations, regulation has become an impactful and enforcing trigger (Bubbico 2023). Institutional and legitimacy theory offer insights into how firms respond.

Institutional theory suggests that firms adapt to external pressures through coercive (legal mandates), mimetic (imitation of others) and normative (industry standards) mechanisms (DiMaggio and Powell 1983). For example, Sukitsch, Engert, and Baumgartner (2015) found that ISO sustainability standards introduced coercive shifts towards industry-wide adoption of sustainability reporting. Similarly, He and Baruch (2009) found that firms often adapt to regulations to conform to stakeholder expectations and are mimicking successful peers to reduce uncertainty. Building on this, legitimacy theory suggests that firms also respond to regulations to sustain trust and public approval (Teck et al. 2020; Velte 2023). Painter and Martins (2017) illustrate this through the Volkswagen (VW) emissions scandal, where failure to meet regulatory norms led to reputational damage and loss of stakeholder legitimacy.

Thus, regulations can act as a “legitimacy shock”, especially when imposing expectations for environmental or social responsibility that exceed internalized norms (Schembera and Scherer 2017). Scherer, Palazzo, and Seidl (2013) identified different legitimacy strategies, such as symbolic compliance, stakeholder dialogue to redefine norms or efforts to reshape expectations altogether (i.e., through lobbying). These responses underscore that while standards are uniform, firms interpret and enact them differently, highlighting the importance of internal framing in determining regulatory impact. Ultimately, this section highlights that regulation does not shape organizational behavior in a vacuum, but that regulatory influence depends on how it resonates with institutional logics, stakeholder expectations and organizational self-understanding.

Regulation as an Identity Pressure: Regulations may act as external triggers, but their impact depends on how they are interpreted, and particularly whether they are perceived as compatible

with, or threatening to, the organization's core values (Ravasi and Schultz 2006). This is especially relevant for sustainability regulations, which often introduce new expectations around purpose, value creation and legitimacy. Such pressures may constitute identity threats by challenging the coherence of an established OI (Gioia, Schultz, and Corley 2000; Ravasi and Schultz 2006).

However, regulatory-induced OI pressure does not automatically lead to OI change. Rather, it requires internal negotiation and narrative reconstruction. He and Baruch (2009) propose a model in which institutional triggers create identity ambiguity, legitimacy concerns and a perceived obsolescence of existing values or capabilities. In response, organizations may undergo processes of identity rediscovery, modernization or dualism (holding onto legacy and new logics simultaneously) (He and Baruch 2009). These changes are mediated by managerial action, cultural engagement and strategic adjustment. This complements Gioia et al.'s (2013) identity change model by incorporating regulatory demands as a trigger requiring active narrative adaptation. Without it, regulations may only prompt symbolic compliance, resulting in sustainability being adopted in communication but not in core practices (Scherer, Palazzo, and Seidl 2013; Schembera and Scherer 2017). Empirical studies confirm this risk. Belkhir, Bernard, and Abdelgadir (2017) show that firms often align rhetorically with ESG (Environmental, Social, and Governance) targets without translating these commitments into substantive change. Thus, regulations can trigger change but only when they provoke internal OI negotiation that redefines strategic direction and self-understanding (He and Baruch 2009; Frostenson, Helin, and Arbin 2022).

2.3. The Automotive Sector: A Case of Regulatory Sustainable-Identity Friction

EU Sustainability Regulations: The European automotive industry includes 10 of the world's top 20 OEMs, representing 7% of the EU's GDP, but accounts for roughly half of ca. 30% of EU road transport emissions (Statista 2025; Deubner et al. 2025). As a result, the sector has long been

policy-influenced, with attention intensifying since the 2019 launch of the European Green Deal (EGD) and its ambition of climate neutrality by 2050 (Veugelers, Tagliapietra, and Trasi 2024; Wolff et al. 2020). Important regulations include the EU CO₂ emission standards (EU 2019/631), also known as Corporate Average Fuel Emissions (CAFE), aiming to progressively tighten tailpipe emissions; the ban on ICEVs (Internal Combustion Engine Vehicles) by 2035 under the Fit for 55 package (COM 2021/550); and the Corporate Sustainability Directive (CSRD) (EU 2022/2464), which significantly expands environmental disclosure obligations (European Parliament 2019; European Commission 2021; European Parliament 2022; Carey and Steitz 2021). What distinguishes these policies from others is that they challenge both technical norms and the legitimacy of ICEV business models that have historically defined the industry (Stocchetti 2023).

Automotive Industry Responses: While EU regulations provide a clear direction for decarbonization and change in pace, responses among OEMs have varied significantly. The VW Group strategy “New Auto” shows a significant change in direction after the “Dieselgate” emissions scandal with a focus on digitalization, powertrain innovation and new forms of mobility, but its business model still requires volume sales and particularly in the high-profit-margin SUV segment (Sport Utility Vehicle) (Keilbach, Hein, and Krcmar 2023; Keil and Steinberger 2024). In contrast, the BMW and the Mercedes-Benz Groups have been more proactive with their sustainability strategies, which is reflected in ESG communications and target setting, however, BMW continues to resist full electrification by emphasizing technology neutrality and hesitance toward a complete ICEV phase out (Lukin, Krajnović, and Bosna 2022; Goppelt 2022; Keil and Steinberger 2024). In contrast, Stellantis and Volvo have made clear commitments to phase out ICEVs and showcase more forward-looking sustainable mobility strategies (Keil and Steinberger 2024; Goppelt 2022). Renault has also taken on ambitious transformation plans to increase competitiveness, especially

through a focus on affordable, sustainable, electric and technology-driven cars, a clearer direction compared to other companies' reactive adaptations (Carbonell and Pardi 2025). Thus, the automotive sector illustrates that despite shared regulatory pressures, organizational change remains uneven, as responses are not only shaped by capabilities or market strategies but by how sustainability challenges are interpreted through legacy identities (Graf et al. 2023).

2.4. Synthesis and Gap

This literature review brings together three interrelated research streams: how OI shapes strategic change, how sustainability acts as a systemic identity threat and how regulation can drive transformation. Though previously studied independently, their intersection reveals why sustainability is not merely a strategic or operational shift, but a challenge to core organizational self-understanding. When identity shapes how external pressures are interpreted, transformation depends less on the pressure itself than on its fit with internalized interpretations (Ravasi and Schultz 2006; Cornelissen, Haslam, and Balmer 2007). SOI captures this fit, linking sustainability integration to improved legitimacy and environmental performance (Frostenson, Helin, and Arbin 2022; Haldorai et al. 2023). Yet SOI research focuses mainly on voluntary adoption, overlooking rising regulatory pressure. Institutional and legitimacy theory explain variation in regulatory responses, but identity plays a key role in mediating reorientation, particularly in legacy sectors like automotive, where identity-relevant resistance remains (Graf et al. 2023; Stocchetti 2023).

While prior research has explored identity change and regulatory adaptation, these analytical perspectives remain largely disconnected. Few studies explicitly investigate how regulation functions as an identity threat, and how resulting tensions are addressed and navigated in industries with entrenched legacies and narratives. This thesis addresses that gap by examining how EU sustainability regulation creates identity tensions in the automotive sector. It explores whether, and

how, firms make sense of regulatory demands considering their historically rooted OIs and to what extent this shapes their strategic reorientation toward coherent sustainability transformations.

3. Methodology

This study adopts a qualitative, exploratory design to examine how sustainability-related regulation is interpreted and enacted across automotive firms. This approach is especially suited to addressing "how" and "why" questions in complex, socially embedded contexts (Saunders, Lewis, and Thornhill 2016), especially given the limited theory linking regulatory compliance and organizational identity in legacy industries. A multiple case study strategy (Eisenhardt 1989; Saunders, Lewis, and Thornhill 2016) enables both within-case depth and cross-case comparison, allowing inductive pattern recognition grounded in context.

Purposeful sampling guided the selection of diverse automotive firms affected by European sustainability regulation. The sample includes three German manufacturers with deep legacies in ICEV engineering, offering insight into how longstanding identities are being reinterpreted. To broaden contrast, a French and a Swedish company were selected for their differing market positions, geographic contexts and sustainability approaches. An external consultant with experience in automotive sustainability transitions was also interviewed to provide an independent perspective and add credibility to the company accounts (Interviewee List in Table1).

Semi-structured interviews (Figure 2) were used to balance consistency with flexibility, to capture both anticipated and emergent themes, supporting inductive theory building while ensuring alignment with research objectives (Nowell et al. 2017; Saunders, Lewis, and Thornhill 2016). The design follows Eisenhardt's (1989) approach for theory building from multiple case studies, using replication logic and iterative comparison to derive a grounded conceptual framework.

Data is analyzed using Thematic Analysis, which organizes and interprets patterns of meaning across qualitative datasets. Following Nowell et al. (2017), the process includes familiarization, coding, theme development and refinement. Inductive coding logic underpins theme development, reflecting the study's aim of theory generation over hypothesis testing (Thomas 2006).

Focusing on the automotive sector, with its regulatory exposure and strategic importance in Europe's sustainability transition, offers an ideal empirical lens. As an industry that has cultivated brand distinctiveness for decades, it holds deeply rooted identities that anchor internal practices and shape external perceptions (Balzarin and Zirpoli 2023), making it well-suited to explore regulation-identity-strategy tensions.

4. Results of Qualitative Research

Empirical findings draw from the six interviews with representatives of five major automotive companies (I1: Renault, I2: BMW, I3: Mercedes-Benz, I4: Volvo and I5: Volkswagen) and one expert consultant in sustainability transformations (I6-E: Accilium). The interviews explored how firms address sustainability-related pressures and how regulations interact with internal perceptions, strategy and culture. Findings are organized thematically, with subthemes reflecting patterns of consistency and deviations across firms (Themes detailed in Table 2).

4.1. Regulatory Pressure as a Transformation Trigger

Perceived Urgency and Strategic Role of Regulations: All interviewees acknowledged EU sustainability regulation (i.e., CAFE, CSRD, EU ICEV ban) as a major external force shaping product portfolios and reporting. However, their views differed on urgency and strategic relevance. I4 saw regulation as an enabler complementing existing sustainability efforts, while others described an ongoing shift from compliance to strategic integration (I2, I3). I5 found the pace and

volume of new rules overwhelming. A common pattern, noted by I6-E, is that many firms remain reactive and meet requirements first, with strategic alignment only emerging later.

Compliance or Proactive Engagement: Interviewees varied in whether their firms were merely reacting to regulations or seeking to exceed them. I4 presented their company as proactive, setting internal targets beyond legal requirements, while others (I1, I3) are in transition toward stronger sustainability commitments. I2 and I5 initially responded reactively, though I2 noted growing ambition over time, unlike I5, who showed little indication of voluntary overperformance. According to I6-E, many firms only increase their ambition once regulatory stakes become higher.

Perceptions of Regulations as Enabling or Burdensome: Interviewees held diverging views on the fairness and feasibility of current regulations. I4 regarded regulation as a helpful guide supporting strategic clarity. I3 was ambivalent, describing regulatory intervention as both supporting and constricting, with concerns of overregulation. I5 viewed regulation as burdensome, mentioning complexity, resource strain and implementation challenges. I1 noted that while regulation is necessary, many firms may underestimate the timeline for required change, creating tensions between regulatory goals and market realities.

4.2. Organizational Identity and Legacy Tensions

Alignment Between Legacy Identity and Sustainability Ambitions: Perceptions of how well sustainability aligned with the Interviewees' respective historical identity and core strengths differed. I4 described strong alignment, seeing sustainability as a continuation of long-standing company values of care and responsibility. In contrast, I2 and I5 pointed to misalignment, with I2 citing internal tension between their legacy in high-performance vehicles and external pressures to decarbonize. I5 noted that while climate neutrality goals exist, core business logic remains volume- and ICEV-driven. I1 and I3 saw partial alignment, with I1 stating that although the

transformation is ongoing and sustainability is part of daily conversation, previous brand attributes clash with the new strategy. I6-E confirmed that many firms experience frictions between traditional business logics around profit, competition and customer acquisition, and the reevaluation of value propositions demanded by sustainability.

Emotional and Institutional Attachment to Legacy Characteristics: Interviewees highlighted deep-rooted attachments to traditional identity elements, particularly ICEV technologies and performance. I5 noted employee resistance driven by fear of skill obsolescence and job loss and I2 pointed to emotional ties to combustion innovation, which conflict with electrification demands. I3 described friction from hierarchical culture and a limited understanding of the new strategy. I4 saw less emotional resistance but highlighted concern in maintaining “what makes Volvo *Volvo*”.

Evolution of Brand Narratives: To support integrating sustainability into strategy, all interviewees mentioned shifts in narratives. I4 reported that the brand has evolved steadily and credibly, framing sustainability as a natural extension of its care attribute: “care for people, and increasingly, care for the planet”. I1 mentioned ongoing narrative shaping, supported by restructuring and leadership changes, although they acknowledged the narrative is still stabilizing. I5 described rebranding after “Dieselgate”, but internal doubts about coherence persist. I2 mentioned ongoing efforts to align sustainability with existing core attributes, while I3 described framing it as an evolution of “what luxury means” yet noted unresolved paradoxes between combustion-engine performance leadership and its sustainability objectives. I6-E stressed that firms with compelling business cases for sustainability create more coherent and credible sustainability objectives supported by clear narratives.

Perceived Authenticity of Sustainability Integration: As firms work to embed sustainability into the core of long-standing brands, perceptions of the authenticity varied widely. I4 framed it

as an embedded value and guiding principle rather than a marketing tool. I1 was optimistic, stating that it feels “more aligned with strategy and people are getting on board”. I3 noted that sustainability now feels more like a natural extension than when efforts started in 2016. In contrast, I2 and I5 saw it as a necessary adaptation, not a core part of the company’s “DNA” yet. I6-E confirmed sustainability’s growing role in motivating employees but warned that gaps between claims and actions risk employee disconnection.

4.3. Internal Dynamics and Change

Hierarchical Dynamics Between Top-Down and Bottom-Up Change: Top-down leadership was seen as the main driver of sustainability, though the depth and consistency of internalization varied. I1 and I4 described leadership efforts to prioritize and align sustainability with values, and I5, referring to leadership responses after “Dieselgate”, noted uneven execution across the organization. I6-E observed that top management often struggles to see tangible benefits early on, leading to superficial efforts until deeper motivations emerge. Thus, internal alignment tends to be gradual, fragmented and lacking of structured support.

Generational Divides in Sustainability Commitment: Several mentioned age as a dividing factor in sustainability priorities. I1, I2, I4 and I5 noted resistance among established staff, particularly skepticism towards the discontinuation of combustion engine development. Younger employees were generally seen as stronger advocates for sustainability, while older generations remained attached to legacy practices, which slowed change.

Cross-Functional Engagement and Ownership: Interviewees reflected varying degrees of cross-departmental involvement. I6-E highlighted a common challenge that sustainability often starts in one function or niche area, slowing broader integration. I2 mentioned difficulties in spreading sustainability thinking, especially operationally. I5 described siloed structures and

“cross-departmental firefighting,” that hinder coordination. I1 observed resistance in commercial teams, driven by the difficulty of selling EVs to consumers who still favor ICEVs.

Role of Internal Incentives in Aligning Priorities: Incentive structures were addressed with mixed clarity. I2, I3 and I5 noted misalignment in incentives for executives and managers and suggested “deeper integration of sustainability metrics into executive compensation could accelerate progress” (I2). I3 also mentioned linking sustainability goals to departmental KPIs, and I4 reported that sustainability KPIs are already tied to leadership targets and performance evaluations. I6-E pointed out that short-term planning often conflicts with long-term goals, as “sustainability costs time and money, and if your bonus depends on it, you have little motivation”. This highlights incentive misalignment as another key obstacle.

4.4. Strategic Integration of Sustainability

Embedding Sustainability in Core Business and Strategy: Apart from personal views, all interviewees confirmed formal sustainability strategies (e.g., BMW’s “Neue Klasse”, Renault’s “Renaulution”), though internal adoption varies. I4 described near full integration, while I1, I2, and I3 noted increasing focus on shifting value propositions, though legacy tensions persist. I5 said, “sustainability is talked about a lot, but it’s not always the priority when tough decisions need to be made”. I6-E noted that firms often begin with compliance and only embed it internally once a business case is clear. They added that adaptation is rarely systematic, and companies often mistake having a sustainability strategy for achieving impact, when in fact, real gains require integrating it into the corporate strategy alongside broader considerations.

Navigating Tensions and Paradoxes: Interviewees highlighted persistent tensions between sustainability and financial priorities, affecting most companies but especially I5, who mentioned financial security as a current priority, pushing sustainability down on the agenda. I6-E confirmed

that investments are often questioned when short-term returns are unclear. I2 and I3 noted that while EVs guide strategy, high-margin ICEVs still underpin profits. I1 stated that shifting the brand narrative challenged past affordability positioning, as EVs cost more. Even I4, despite progress, acknowledged tensions between ambitious goals and uneven market readiness.

Sustainability as Innovation or Compliance Driver: Perceptions of sustainability's role ranged from what I4 framed as a source of innovation and motivation to change to I5's framing of it as a requirement for "survival". I2 and I3 described sustainability targets as becoming central to innovation, reinforcing core values like "technical excellence". While I5 mentioned aspirations to move past reactive management, sustainability currently only drives change when aligned with existing strategic goals. I6-E observed that without cultural alignment, sustainability remains a compliance driver, but when tied to competitive advantage, it supports innovation more actively.

4.5. Industry-Specific Complexities

Lack of Consumer Readiness: Several interviewees noted that consumer demand has not yet matched regulatory expectations. I1 cited EV skepticism, affordability and range anxiety as key purchasing barriers. I2 and I3 observed that performance and price still drive purchasing decisions, with sustainability as a premium add-on. I4 acknowledged that their strategies outpace regulatory timelines, but demand and consumer adoption remain limiting factors.

Industry-Wide Collaboration and Policy Support: I1, I2 and I4 called for better industry-wide collaboration to accelerate infrastructure development and support customer behavior shifts. I6-E reinforced this, noting that scaled transformation requires consistent regulatory signals. I2 also said that policy support and continuity reduce uncertainty for long-term investment planning.

Industry Outlook Under Sustainability Pressure: The industry's transformation was viewed with cautious optimism. I4 described the automotive sector at a crossroads, where change is

inevitable but difficult to coordinate. I1 noted younger generations' shifting expectations and new mobility trends (e.g., from ownership to shared use). I6-E warned that "if a company does not address these objective trends, it risks losing its competitive edge". While change is underway, structural and cultural barriers still hinder full alignment with regulatory demands.

5. Discussion of Findings, Implications and Limitations

5.1. Regulations as a Trigger for Identity Change but not a Guarantee

The interviews reaffirm the EU-level climate policies as a critical external force pushing companies toward sustainability transformations. However, as the literature suggests, regulation alone rarely ensures deep strategic change (Scherer, Palazzo, and Seidl 2013; Schembera and Scherer 2017). The findings highlight that regulations become substantial influences when they are interpreted as incompatible with existing self-understandings or success models, which is confirmed by literature on identity threats and disruptions (Gioia, Schultz, and Corley 2000; Ravasi and Schultz 2006; Schembera and Scherer 2017).

This underlines that the actual driver of OI change is not regulatory intervention per se, but how it interacts with internal sensemaking processes (He and Baruch 2009). In companies like VW or BMW, regulatory timelines were acknowledged but framed as external pressures rather than as identity-relevant challenges, or in I5's (VW) words: "Sustainability is talked about a lot, but it's not always the priority when tough decisions need to be made, especially [...] in our current situation". By contrast, Volvo interpreted regulation as reinforcing an existing orientation towards a "care"-oriented OI narrative, enabling more proactive adaptation; or to cite I4 (Volvo): "[Our] roots are in safety and care: care for people, and increasingly, care for the planet". This supports He and Baruch's (2009) model that institutional triggers lead to actionable identity change when they provoke identity ambiguity, legitimacy loss or perceived obsolescence.

The implication here is that environmental regulations may act as a narrative trigger (i.e., sustainability strategies, public commitments), but change only becomes of strategic importance and effectively implemented when embedded in internal identity redefinition. Without this, firms risk falling to symbolic compliance, as illustrated by interviews and literature (Belkhir et al. 2017).

5.2. Organizational Identity as a Lens to Understand Strategic Resistance and Tensions

One of the key findings of this study is that legacy identity logics continue to shape how sustainability is interpreted, resisted or embraced. Strong attachments to OI attributes like ICEV engineering pride, performance leadership, affordability or reliability act as interpretive filters that frame sustainability either as compatible or threatening. These align closely with Gioia et al.'s (2013) proposition that identity labels tend to remain stable even when their meanings evolve, but failure to renegotiate these meanings coherently can stall substantial transformation.

Yet, few of the interviewed firms explicitly acknowledged identity as a factor in their change processes. Instead, strategic tensions between profitability and sustainability or between ICEV legacy and new mobility solutions were often described as operational challenges rather than OI dilemmas. This suggests that while organizations are in fact undergoing changes that mirror patterns described in OI theory, they are not engaging in identity change systematically nor consciously (Ravasi, Tripsas, and Langley 2020; Graf et al. 2023). Therefore, explicit use of OI as a lens to understand how identity-rooted tensions shape the direction and consistency of sustainability transformations can improve firms' ability to navigate strategic change effectively.

5.3. Toward a More Strategic Role for Identity in Managing Transformation

Finally, the interviews highlight that while all firms had sustainability strategies in place, only some appeared to meaningfully embed sustainability into their internal identity narratives. Volvo, for instance, demonstrated signs of SOI, where sustainability is seen as a defining characteristic of

“who we are” (Frostenson, Helin, and Arbin 2022; Haldorai et al. 2023). Other firms stayed in an ambiguous state, where external claims and compliance are managed but lack internal coherence. This aligns with Gioia’s (2013) “meaning void” stage, where identity claims are made without full alignment or understanding across the organization. The interviews further revealed internal generational, collaborative and incentive-based divides that hindered full identity realignment. Literature on sensegiving and sensemaking processes confirms that transformation without internal engagement and active renegotiation of new priorities and values rarely gains traction (Gioia and Chittipeddi 1991; Cornelissen, Haslam, and Balmer 2007; Graf et al. 2023). Overall, the findings reinforce the relevance of OI dynamics in shaping how sustainability transformations unfold under tighter regulations, highlighting that when OI is actively renegotiated alongside strategy, transformation gains more internal traction and external coherence.

5.4. Practical Implications

Based on the literature review and findings, this thesis offers a conceptual contribution by proposing a hybrid identity transformation process that integrates He and Baruch’s (2009) model of OI change under institutional triggers with Gioia et al.’s (2013) framework on OI formation.

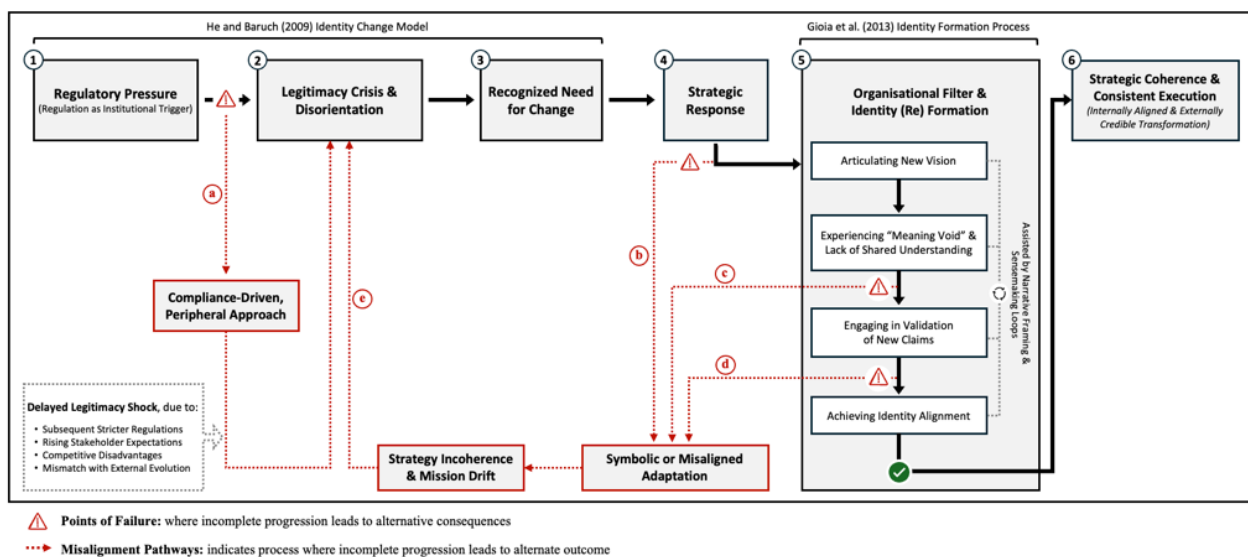


Figure 1: Strategic Identity Alignment Framework (SIAF)

While Gioia et al. (2013) originally developed their model in the context of emerging firms, they explicitly call for further research in institutionalized contexts, where they theorize identity formation to occur, but less fluidly and consciously. He and Baruch (2009) emphasize the need for more systematic exploration of how identity, leadership, legitimacy and strategic change interact over time, especially in established firms facing transformation. Responding to both, this study applies identity formation logic to the mature automotive sector, where regulatory disruption challenges foundational business assumptions. The resulting hybrid framework provides a practical understanding in six steps (Figure 1):

- 1. Regulatory Pressure as Trigger:** In this case, sustainability regulation can act as an institutional trigger that challenges existing routines, norms or strategic logic.
- 2. Legitimacy Crisis and Disorientation:** Consequently, organizations may experience a disruption to their previously unconscious core values (i.e., identity) and face growing internal and external uncertainty about the legitimacy of their purpose and role. At this phase, identity can surface as a more apparent variable due to contextual misalignment.
- 3. Recognized Need for Change:** Leadership acknowledges that transformation is necessary to restore legitimacy and respond to evolving expectations.
- 4. Strategic Response:** Identity is rarely a directly managed issue. Rather, management formulates new strategic plans to meet regulatory or market demands. However, this study argues that responses must be filtered internally and aligned for a successful implementation.
- 5. Organizational Filter and Identity (Re)Formation:** Drawing on Gioia et al. (2013), this stage involves socially constructed internalization of a new strategic and identity-relevant vision. Through narrative framing and iterative sensemaking, the organization aligns existing identity labels with evolving meanings, enabling coherent adaptation of “what we stand for”.

6. Strategic Coherence & Consistent Execution: When strategic action is identity-aligned, firms can achieve internally supported and externally credible transformation. This alignment enables sustained legitimacy, forward-looking competitive positioning and, in the context of sustainability, a convergence to sustainable organizational identity (SOI).

The framework serves as a diagnostic tool for top management to identify where transformation efforts stall. As shown, failure to meaningfully engage with identity (by treating regulatory demands as routine compliance, formulating strategy only for external signaling or neglecting internal sensemaking and narrative alignment) leads to strategic incoherence, internal misalignment and delayed responses (Ravasi and Schultz 2006; Gioia et al. 2013; Schembera and Scherer 2017). In longstanding sectors with firmly anchored OIs, such failures risk undermining competitive advantage and stakeholder trust over time.

5.5. Theoretical Implications

By proposing the Strategic Identity Alignment Framework (SIAF), this study proposes a hybrid model that integrates He and Baruch's (2009) concept of identity change under institutional triggers and Gioia et al.'s (2013) identity formation framework. Applied to the mature, regulated automotive sector, the model bridges regulatory disruption with internal identity processes and adds by highlighting their effect on strategic reorientation and implementation. It also extends the concept of SOI, which has mainly been studied in voluntary contexts (Frostenson, Helin, and Arbin 2022; Ratnawati et al. 2024), by showing that regulation can induce credible identity redefinition. The framework offers transferable insights for other legacy sectors undergoing sustainability-driven disruption. For instance, the aviation sector faces short-haul flight bans, and construction is increasingly regulated through material and building standards due to its 35% share of EU waste (European Commission 2024; Sesana and Dell'Oro 2024; Cantos-Sanchez et al. 2024).

Beyond the model, the findings contribute to the strategy–identity literature (Ravasi, Tripsas, and Langley 2020) and support ongoing debates on identity tensions in legacy firms under environmental and digital pressure (Graf et al. 2023; Balzarin and Zirpoli 2023), reinforcing calls for integrative approaches to understanding sustainability identity formation in regulated contexts (Frostenson, Helin, and Arbin 2022).

5.6. Limitations of the Study

This study has several limitations. First, OI formation and change are long-term processes (Gioia et al. 2013), yet this research offers only a snapshot in time of ongoing transformation efforts. Second, the sample is small, with one interviewee per firm, limiting organizational representativeness. Broader internal sampling and external perspectives, such as customers or regulators could have added depth to how OI is projected, perceived and evaluated from the outside. Third, while the study assumes that aligning sustainability with identity leads to better outcomes, it does not validate this quantitatively through evolution in performance data (i.e., financial metrics). Finally, although regulatory complexity and ambiguity were raised by interviewees, this study does not critically assess the coherence or political dynamics of sustainability regulation itself, which may shape firms’ responses more than acknowledged here.

5.7. Recommendations for Further Research

Future research could build on this study by validating the Strategic Identity Alignment Framework (SIAF) across other legacy sectors facing regulatory disruption, such as aviation or construction industries. More in-depth studies within the automotive sector could also explore identity dynamics across different functions, levels and external stakeholder perceptions. In addition, the role of regulatory design in influencing whether firms respond symbolically or substantively deserves further attention. Finally, future research should explore how identity can

be more intentionally integrated in strategic change processes rather than remaining a subtle, passive force in organizational transformation, as observed in this study's results.

6. Conclusion

This thesis examined how European automotive firms respond to sustainability regulation not just strategically, but through the lens of organizational identity (OI). While prior research addresses sustainability integration and regulatory compliance, it often overlooks how identity dynamics mediate transformations, especially in legacy sectors under existential pressure. Accordingly, the study asked: *How do OI dynamics influence the response of firms to sustainability regulations, and to what extent do these dynamics shape the depth and coherence of strategic transformation?*

Based on interviews with five OEMs and a sustainability consultant, the findings reveal that regulation alone does not trigger transformation. Rather, it gains traction when perceived as identity-relevant disruption, prompting a redefinition of the firm's core sense of "who we are".

This study contributes a novel hybrid framework that integrates Gioia et al.'s (2013) identity formation model with He and Baruch's (2009) concept of identity change under institutional triggers. The resulting Strategic Identity Alignment Framework (SIAF) offers a processual view of how regulatory disruption interacts with internal sensemaking and serves as a diagnostic tool for managers to navigate tensions between legacy values and strategic adaptation.

Empirically, the study reveals that firms vary in their ability to internalize regulation, with longstanding attachments and misaligned narratives often stalling coherent transformation. Without this integration, sustainability risks remaining a compliance exercise which is insufficient for meeting climate targets. Reframing identity as a strategic lever instead of a background context may prove essential for credible, sector-wide transformations and boost sustainable development.

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Appendix

List of Abbreviations:

OEM: Original Equipment Manufacturer

ICEV: Internal Combustion Engine Vehicle

EV: Electric Vehicle

SUV: Sports Utility Vehicle

OI: Organizational Identity

SOI: Sustainable Organizational Identity

RBV: Resource-Based View

EU: European Union

EC: European Commission

EDG: European Green Deal

CSRD: Corporate Sustainability Reporting Directive

ESG: Environmental, Social, and Governance

Tables & Figures:

Table 1: List of Interview Partners (all remained anonymous)

| Identifier* | Company | Position | Country of Interviewee |
|-------------|---------------------|----------------------------------|------------------------|
| I1 | Renault Group | Digital Marketing Manager | Portugal |
| I2 | BMW Group | Sustainability Strategy Manager | Germany |
| I3 | Mercedes-Benz Group | ESG Program Manager | Germany |
| I4 | Volvo Cars | Senior Sustainability Strategist | Sweden |
| I5 | Volkswagen Group | Corporate Sustainability Manager | Germany |
| I6-E | Accilium GmbH | Associate Manager | Austria |

*I = Interview Partner, E = External

Table 2: List of codes, inductively developed, thematically clustered

| # | Overarching Theme | Subthemes |
|---|-------------------------------------------------|------------------------------------------------------------------|
| 1 | Regulatory Pressure as a Transformation Trigger | Perceived Urgency and Strategic Role of Regulations |
| | | Compliance vs Proactive Engagement |
| | | Perceptions of Regulations as Enabling or Burdensome |
| 2 | Organizational Identity and Legacy Tensions | Alignment Between Legacy Identity and Sustainability Ambitions |
| | | Emotional and Institutional Attachment to Legacy Characteristics |
| | | Evolution of Brand Narratives |
| | | Perceived Authenticity of Sustainability Integration |
| 3 | Internal Dynamics and Change | Hierarchical Dynamics Between Top-Down and Bottom-Up Change |
| | | Generational Divides in Sustainability Commitment |
| | | Cross-Functional Engagement and Ownership |
| | | Role of Internal Incentives in Aligning Priorities |
| 4 | Strategic Integration of Sustainability | Embedding Sustainability in Core Business and Strategy |
| | | Navigating Tensions and Paradoxes |
| | | Sustainability as Innovation or Compliance Driver |
| 5 | Industry-specific Complexities | Lack of Consumer Readiness |
| | | Industry-Wide Collaboration and Policy Support |
| | | Industry Outlook Under Sustainability Pressure |

Figure 1: Strategic Identity Alignment Framework (SIAF)

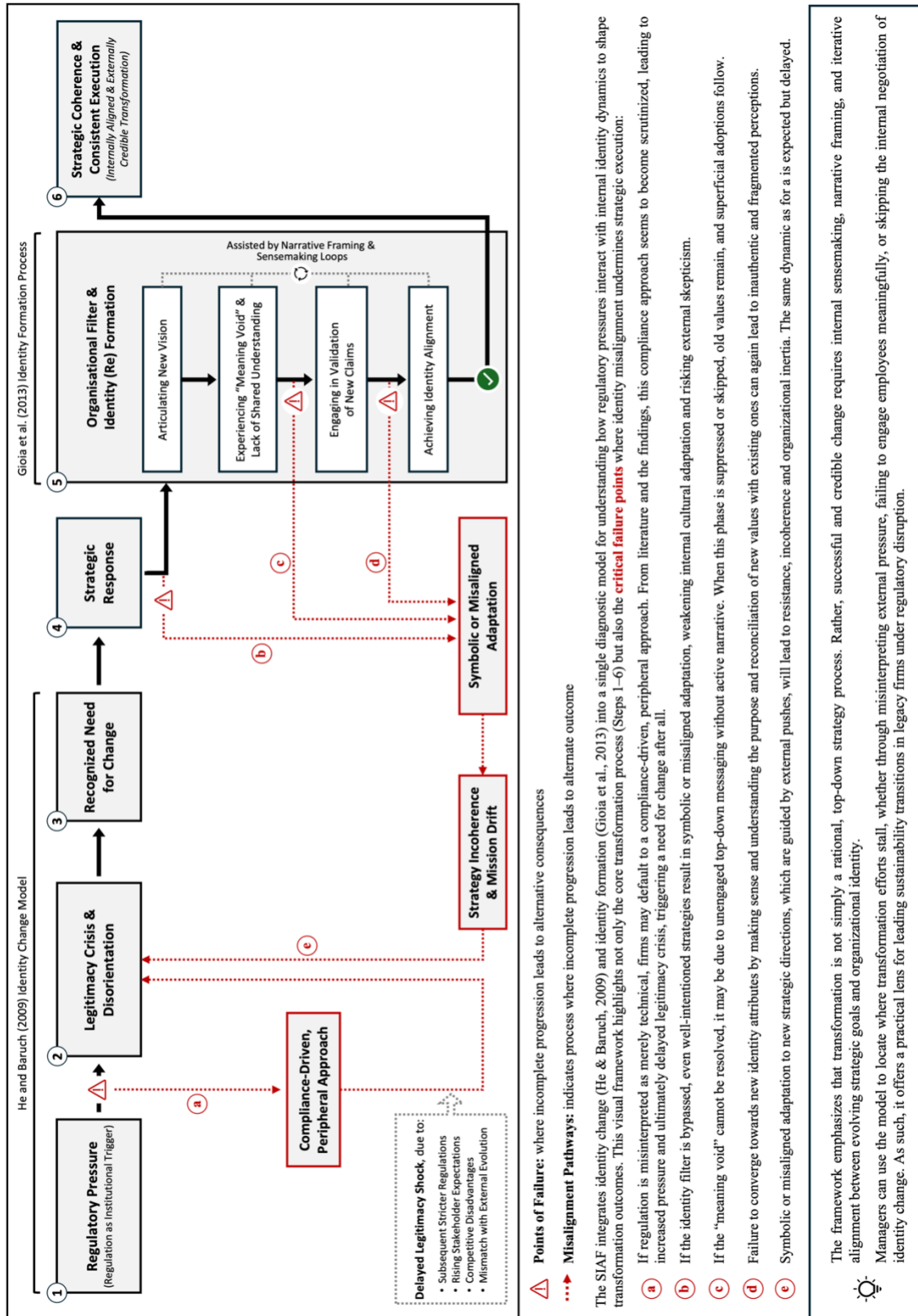


Figure 2: Semi-Structured Interview Guide

Research Guide

EU-Regulations' Impact on sustainability transformation and organizational identity change

Aim: Investigate how EU and national regulations have influenced sustainability related changes within automotive companies, and in particular its effects on organizational identity

Date: XX.OX.2025

Participant: XXX

Time: XX h – 45 min

Thank you again for taking the time. → 1. Intro, 2. Presentation of study, 3. Questions
Hope you don't mind if I record this. Of course you can stay anonymous, it's just for the interview transcription.

Aim of Study:

- Researching how deeply sustainability is integrated by automotive companies in Europe, especially with increasing pressure to comply with standards and regulations.
- Mostly focusing on whether they're just complying to meet legal targets or rethinking their purpose and values to adopt a more genuine sustainability-driven identity.

→ I'd like to start with a few general questions to understand your role and how you see the company before we move into more sustainability-specific topics.

General Background Questions:

Q1. What is your role at “*Automotive company*”?

Q2. Identity: If you had to describe what “*Automotive company*” stands for today in terms of values, purpose, or how it sees its role, what would you say?

Follow-up: Has this perception changed in recent years?

Company's core mission? Main unique value proposition?

Sustainability and Strategy:

Q3. Tensions: What kinds of tensions / challenges does the company currently face? Is sustainability creating tensions?

Q4. Sustainability: To what extent does sustainability show up in the campaigns, storytelling, or external communication you work on (Pushed-central or just sometimes)?

Follow-up: In your view, is sustainability something that “Automotive company” believes in or something it has to do?

Follow-up: Has the importance or framing of sustainability changed in the company over time? If yes, what triggered that shift?

Hint: Relate to Q2 if sustainability wasn't mentioned

Drivers and Regulations: (the push for sustainability)

Q5. Drivers: From your perspective, do you think sustainability messaging at “*Automotive company*” is driven more by ex.: internal value changes, customer expectations, or external pressure like EU regulations?”

Q6. Regulations: Has there been any instance where regulations clearly influenced how the brand communicates or positions itself (emission standards, shift to EVs)?

Follow-up: Have EU or national environmental regulations played a strong role in shaping the company’s direction?

→ *Would “Automotive company” have become more sustainable even without the stricter regulations in the last few years?*

Reflection on Change:

Q7. Change: Did you perceive any tensions between “*Automotive company*” ‘s traditional brand/image (past) and how it tries to position itself as (more) sustainable today?

Q8. Tensions: Does it feel like (sustainability is) a natural extension of “*Automotive company*” ‘s identity, or more like a shift or rebranding effort?

Outlook:

Q9. Do Better: Do you think “*Automotive company*” could do more in terms of sustainability — and what could accelerate that?

Q10. Future: How relevant is sustainability for the future of the automotive industry?

Note: The interview guide was developed based on the structure and themes of Wolff et al.’s (2020) and Frostenson, Helin, and Arbin’s (2022) prior studies, ensuring that the questions were grounded in established research while allowing for adaptations suited to this specific context.

Figure 3: Exemplary Interview Transcript (I1: Renault)

Date: 18.04.2025

Participant: Anonymized

Time: 14h – 60 min

General Background Questions:

Q1. What is your role at Renault?

I started as a sales trainee for the first 2 years. When I say this, people think I sell cars, but that's not it. I was in the sales department, where we have a direct communication with the dealers. After that I recently changed to digital marketing. But the commercial coordination part really did give me an overview of the business itself. We really worked with all of the areas in the company, especially regarding legislation and sustainability and what we are integrating in all sub-companies in EU as part of the obligatory requirements.

Q2. Identity: If you had to describe what RENAULT stands for today in terms of values, purpose, or how it sees its role, what would you say?

When Luca de Meo was assigned CEO, he basically structured out a plan, a “Renault plan”, which is revolution with Renault and when I got into Renault, we were at the end of the first phase, which is the Resurrection. For context, we were the leaders for 23 years in a row, but we stopped being leaders around the pandemic and right now we're trying to get back on track. However, it's really not the new strategy to go back. Of course, we want to be leaders, but the strategy is to produce technological, sustainable vehicles and less about volume and margins. Of course, we want to make the profit but there are also other important areas now. It's really interesting because most people remember Renault for the Renault Zoey or Megan, and clearly these vehicles were great in their time but now we are focusing on such advanced technologies. We have for instance, the new Scenic is fully electric and has a lot of recycled materials.

Or another example is that we were actually one of the first companies to do a leasing of the battery. So, we would sell an electric vehicle, and you could buy the battery, or at least the battery and you would get to keep the battery for a certain time, and you would pay for the rent of the battery so that it wouldn't be wasted. Unfortunately, it actually didn't work out great because we're not doing it now, but it was an idea, showing that we're very focused on sustainability.

For sure, I can say that we take into consideration much more what the client needs and the sustainability aspects like emissions. As we are a French company and in the European Union, we have a lot of legislations concerning CO2 emissions and that is a huge concern for us, as it is happening very fast. Most companies in the EU did not believe that they would hold true to their plans and that the regulations would move forward this fast. I can only speak for Renault, but we had hope that it wouldn't happen so fast because it's just really sudden. And I know that some companies have been more reserved and have this strategy to fight it instead of adapting to it. In contrast we are really adapting to it. It is important to reduce CO2 emissions and right now we have a whole range of cars that are fully electric, plug in hybrid, hybrids, showing that we are working towards that. We are actively killing the diesel and will not sell these cars in the future anymore.

→ Follow-up: With these circumstances and the new strategy, you mentioned, did the perception of sustainability change within Renault over the last years?

Since the revolution started, the sustainability part was always a part of that, but I think it was planned to be more gradual and not so sudden. But we had to accelerate the strategy to follow the guidelines of the European Union because they have strict deadlines. And so, I think sustainability, yes, was always in the picture, but not this fast.

Sustainability and Strategy:

Q3. Tensions: What kinds of tensions / challenges does the company currently face? Is sustainability creating tensions?

I'll answer that question into two perspectives.

From the operating side, in line with the strategy we have been planning to be {more sustainable} from the beginning. When I talk about legislation, I specifically mean the CAFE which is the clean air for Europe act. The European Union prescribes that you have to get certain average CO2 emissions of all your sales and if you go beyond that threshold, you'll have to pay a fine. We were preparing for this, but the deadline was set for the end of this year. And last year we were really worried that we wouldn't be able to make and had to ensure that we don't get above the CO2 emissions limits.

And now to answer this from the consumer perspective, specifically for Portugal: People in Portugal are not really receptive to electric cars. Right now, I'm on the digital marketing side and I have to monetize the comments on our social media and such. And I see comments always criticizing electric cars and their range limits, even though most people drive on average 40 km a day. Nonetheless they are very resistant to electric vehicles. And so, we see most people if anything opt for a hybrid vehicle and then don't even use the electric part of those. This resistance to electrification is very hard to overcome.

So, to sum it up, we are preparing for the challenge of adapting our strategy and operations to the CAFE legislation and we have a good range of electric vehicles, but the problem now is: How do we convince people?

We are the brand in Portugal with the most dealers, but we cannot be with the sellers all day long and even though we can do trainings, the salesmen are the ultimate ones that can maybe shift the needle and convince our audience. But for now, one of the biggest challenges is to work with the resistance from consumers.

→ Follow-Up: Do you then feel like that Renault, at least for the Portugal Business, is concerns in financial terms, as it is getting pushed by regulations to go into a direction that doesn't seem to fit with the consumer's needs?

I think the biggest threats financially would be to have to pay the fine with this EU standard. The fines for breaches would be very substantial, and they would need to be paid for each country were a breach is noticed, leading to overall risks for profitability.

I can say, even though I cannot disclose which company, that they said that they are not worried about moving forward beyond the deadline of 2025 but clearly this would damage any company's profitability.

Q4. Sust: To what extent does sustainability show up in the campaigns, storytelling, or external communication you work on (Pushed-central or just sometimes)?

It is very important to communicate sustainability efforts because it is a big part of our focus. But I would be lying if I told you that we are communicating it massively and always.

We have quite a few models now which are crafted and produced to be recycled and recyclable. So that's our main product in terms of the sustainability campaign. We are always making sure to communicate that we are worried about sustainability and that we are working towards it. But we are not communicating as much as we could, and most people don't know that we are following this sustainability-oriented strategy and path.

→ Follow-up: Has the way sustainability is talked about and framed internally changed then, or is it mostly still a normal car manufacturer that tries to push this new strategy externally?

No, I think, internally in the company, it's a subject that we approach a lot. But I think it's not viewed on the outside. People don't know that we care so much about that. And I think just on the community, the communication aspect, we are not doing the best job to like to portray that sustainability focus. Compared to other manufacturers we might even be a bit of an underdog that instead of communicating a lot, focus on being sustainable first.

Drivers and Regulations:

Q5. Drivers: From your perspective, do you think sustainability messaging at RENAULT is driven more by ex.: internal value changes, customer expectations, or external pressure like EU regulations?"

I think since Luca de Meo joined there was a big shift in focus towards sustainability, of course also profitability but one of the main aspects was positioning. He didn't want to be a regular car company that sells the most cars. He wants to deliver value to people.

Compared to other car brands, Renaults are much more affordable, but the focus is now to deliver technology at a good price and without having to purchase expensive upgrades that you might have otherwise get for other cars. The plan is to position ourselves differently and we are now crafting more technology-packed cars. And in regards of sustainability, it was also in the strategy and approach from Luca de Meo to transform the portfolio and the performance to be more sustainable and follow a new path.

Q6. Regulations: Has there been any instance where regulations clearly influenced how the brand communicates or positions itself (emission standards, shift to EVs)?

(Would Renault have become more sustainable even without the more strict regulations in the last few years?)

Renault was on this path towards becoming sustainable already. I can tell that internally we were hopeful that the regulations would move forward at a slower rate. So, it definitely came sudden when it was communicated that the CAFÉ norm for example would be implemented already by 2025. We were quite concerned that we had to speed up because we were already on the right track because of our new strategies and direction but did not believe that these regulations would be implemented in such a short timeframe; and we were doing much better than other brands.

it's not about that we do not have the product range and the electric vehicles. It's about not being as attractive for the markets with that. And if we have that issue, all brands have that issue, right. So, as long as all these brands including us, don't have unlimited funds, sustainability will be an important concern with the regulation as a main push driver to avoid sanctions and fines. We of course were and are executing our plans gradually, but it was boosted by these regulations.

Reflection on Change:

Q7. Change: Did you perceive any tensions between RENAULT's traditional brand/image (past) and how it tries to position itself as (more) sustainable today?

Yes, on the commercial side and dealing with the dealerships, we could see that dealers were not as motivated because it's not as easy to sell electric vehicles as easily. Most people are looking for a cheap car, but it's not really easy for the sales staff to now justify to customers the added value of the car with an increased price. This is because before we were a generic brand and made cheap cars. When you wanted accessible affordable car, you would maybe think of Renault.

But right now, this transition to positioning these new technological cars with add value to the customers and being less concerned about the price, is really difficult for the dealers. They think that we lost the leadership and now have to sell these cars, which are much more expensive, and people are not even drawn to it at first. So, you have more work to do to sell a car nowadays.

We of course understand this struggle and are working to train them, give them the abilities to sell cars. But it's clear that people within the company still have to come around and comprehend where we're coming from with this new strategy.

Q8. Tensions: Does it feel like (sustainability is) a natural extension of Renault's identity, or more like a shift or rebranding effort?

Skipped

Outlook:

Q9. Do Better: Do you think RENAULT could do more in terms of sustainability — and what could accelerate that?

The change towards sustainability definitely started top down and I believe in the beginning of the change and progress of the electrification was driven by the new CEO and the HQ strategy departments. Also, it is important to say that the automotive industry is an old industry with a lot of senior people that still have traditional views on their cars and the company. You could definitely see that these more senior people who were with the company a long time had a clear idea of how things were done and what the right way was. But with such a shift, they are now challenged to adapt their work and mindset. In contrast you could see how the inclusion of younger generations in the company brought new perspectives and receptiveness to changes, which led to more overall openness to new ideas from all parties within the company.

Now you can definitely feel that there is more alignment with the strategy and people are getting on board more which leads to more bottom-up driven initiatives and ideas to boost topics such as sustainability and technology across the company.

Q10. Future: How relevant is sustainability for the future of the automotive industry?

All brands should now work together to increase the credibility of these new vehicles and a new market of modern, sustainable vehicles. The customer groups who buy the most cars and buy them for status and other reasons are also usually still less concerned with sustainability than younger generations who may just need mobility and not a car in the traditional ownership form. So, if all brands go in the direction of being more sustainable then we don't just need to communicate and market sustainability centric cars to the niches that care but to all people because it is the new standard.

→ Follow-up: Are regulations in that sense helping you to boost the overall direction of the sector and boost the development of other brands to go along so that sustainable future?

Absolutely, I really think that this regulation is needed. There are some brands now including us with some electric cars, but one size doesn't fit all. People want choice and want a range of products to choose from. The more progress there is in the industry the more attractive this transition to new vehicles and new concepts from automotive companies will be. If it wasn't for regulations some or most companies would most likely not be making such progress and stop selling diesel and gas cars when there are no real alternatives. So, it is probably the best way to push for attracting companies and customers to more sustainable products.