Air Transport Governance in the Philippines from the Lens of New Institutional Theory

DOREEN R. ZULES
University of the Philippines Diliman

Abstract. This study examines the evolution of air transport regulation in the Philippines through new institutional theory, focusing on the Civil Aviation Authority of the Philippines (CAAP). It aims to analyze air transport regulation using the institutional theory lens, assess CAAP's institutional logics and complexities through Besharov and Smith's framework, and evaluate organizational strategies for reforming Philippine aviation governance. Findings reveal that CAAP's legitimacy rests on both coercive (global safety compliance) and normative pressures (internal professionalization). CAAP operates within overlapping logics—state (regulation), professional (competence), market (efficiency), and community (accountability). While state logic dominates, conflicts emerge from CAAP's multiple roles. The most critical tension lies in its investigatory function: CAAP investigates incidents despite being both regulator and operator, raising concerns over impartiality, public trust, and adherence to international safety standards. To address these complexities, the study recommends decoupling CAAP's conflicting roles, guided by comparative lessons from Southeast Asia and Ghana. Supporting legislative proposals for structural separation is crucial to strengthening legitimacy, enhancing accountability, and aligning Philippine aviation governance with international best practices. Institutional restructuring is therefore essential for ensuring safer, more credible, and globally compliant air transport regulation in the Philippines.

***Keywords*:** Air transport governance, new institutional theory, legitimacy and isomorphism, institutional logics, institutional complexity, organizational responses, Philippine aviation sector, conflict of interest, decoupling

Introduction

The air transportation sector is evolving rapidly, driven by globalization and technological advancements, resulting in substantial economic and social benefits. A report by the Air Transport Action Group (ATAG, 2020) underscores the transformative impact of air travel on global commerce and connectivity. However, in developing nations like the Philippines, the aviation sector faces persistent challenges, including weak regulatory and legal frameworks, institutional inefficiencies and limited fiscal autonomy, personnel training and employment issues, infrastructure limitations,

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and safety and security issues. These issues not only hinder the country's alignment with global aviation standards set by the International Civil Aviation Organization (ICAO) but can also result in missed economic opportunities (Senate Committee on Public Services, 2023, p.35). As part of the global aviation community, each state has the responsibility to comply with ICAO's Standards and Recommended Practices (SARPs). These guidelines, essential for ensuring safety, security, efficiency, and environmental protection, were developed under ICAO, a specialized United Nations agency founded in 1944 to promote the orderly growth of international civil aviation (ICAO Safety Report, 2012). Non-compliance with these standards, however, has led to serious consequences for the Philippines.

In January 2008, the US Federal Aviation Administration (FAA) downgraded the Philippines from Category 1 to Category 2 under its International Aviation Safety Assessment (IASA) (Civil Aviation Authority of the Philippines [CAAP], 2013). The downgrade reflected the failure of the Air Transportation Office (ATO) to address 88 critical safety oversight elements (Senate Bill No. 2866, 2015), barring Philippine carriers from expanding operations to the United States and preventing them from entering reciprocal code-sharing agreements with American airlines. The FAA categorizes countries under two tiers: Category 1 for states that meet ICAO safety standards and Category 2 for those that do not (FAA, n.d). The downgrade revealed the urgent need for institutional reform in the country's aviation regulatory framework.

In response, the Philippine government enacted Republic Act (RA) 9497, also known as the Civil Aviation Act of 2008, establishing the Civil Aviation Authority of the Philippines (CAAP) and abolishing the ATO. This law provides that the policy of the state is "to provide safe and efficient air transport and regulatory services in the Philippines by providing for the creation of a civil aviation authority with jurisdiction over the restructuring of the civil aviation system, the promotion, development and regulation of the technical, operational, safety, and aviation security functions under the civil aviation authority" (RA 9497, Chap. 1, Sec. 4). The CAAP was tasked with restructuring the civil aviation system by serving as an independent regulatory body with quasi-judicial and quasi-legislative powers (RA 9497, Chapter 1, Sec. 4). Its mandate includes the formulation of impartial regulations and policies to ensure safe and efficient air transport services.

Despite these reforms, achieving compliance and regaining the FAA Category 1 rating proved challenging. In 2010, ICAO identified 89 significant safety concerns (SSCs) in the Philippines' aviation oversight, highlighting deficiencies in safety regulation, airport operations, and aviation security measures (Portcalls Asia, 2013). This led the European Union (EU) to impose a ban on Philippine carriers, further restricting their ability to operate in European markets (Arangkada Philippines, 2013). For six years, the Philippines remained under Category 2 status, limiting the aviation sector's growth and impeding the country's tourism and economic potential.

Restoring the Category 1 status required the Philippines to address ICAO's eight critical elements for an effective aviation safety oversight system, as outlined in ICAO's Safety Oversight Manual (ICAO, 2006). After concerted efforts by CAAP, the FAA upgraded the Philippines to Category 1 in 2014, and the EU subsequently lifted its ban on Philippine carriers. CAAP's sustained regulatory improvements have resulted in significant progress in aviation compliance. According to CAAP's 2024

Performance Scorecard (Governance Commission for GOCCs, 2024), the Philippines has consistently passed the Universal Safety Oversight Audit Programme (USOAP) since 2019, achieving an effective implementation (EI) score exceeding 70%, which is higher than the global average. Moreover, on the same scorecard, CAAP has maintained a record of zero SSCs since 2019, signifying that it provides sufficient safety oversight to ensure the proper implementation of ICAO standards across operations, airworthiness, air navigation services, aerodromes, and licensing functions.

However, the effectiveness of CAAP has been questioned considering its conflicting functions as a regulator, operator, and investigator (Rodolfo, 2017). While RA 9497 established CAAP as an independent regulatory body, it absorbed the commercial and investigatory functions of its predecessor, the ATO, creating inherent conflicts of interest. Senate Committee on Public Services Report No. 39, citing the National Economic and Development Authority (NEDA), stressed that separating CAAP's regulatory and operational roles is essential for good governance, aligning with the National Transport Policy's Section 38 (Senate of the Philippines, 2023, pp. 37-38). Maintaining these overlapping functions not only undermines aviation safety and security but also risks sanctions from international bodies like the FAA, EU, and ICAO, potentially affecting the broader aviation industry. This overlap in functions weakens CAAP's regulatory authority and effectiveness as an operator, highlighting an urgent need for structural reforms to ensure CAAP's impartiality, regulatory strength, and alignment with international standards.

The consequences of these overlapping roles were highlighted during the Senate investigation into the technical malfunction of the Philippines' communications, navigation, surveillance/air traffic management (CNS/ATM) system of the Ninoy Aquino International Airport (NAIA) on 1 January 2023 (Senate Committee on Public Services, p. 37). The incident, which was followed by power outages, disrupted air traffic operations nationwide, leaving thousands of travelers stranded and causing significant financial losses to airlines. CAAP initially led the investigation, but conflicting and changing narratives regarding the root cause of the CNS/ATM failure raised concerns about transparency and competence (Senate Committee on Public Services, p. 11).

Given the gravity of the disruptions, multiple agencies, including the Department of Information and Communications Technology's (DICT) Cybercrime Investigation and Coordinating Center (CICC), the Department of Transportation (DOTr), and the Institute of Integrated Electrical Engineers of the Philippines (IIEE) (acting as the Senate's independent audit team), conducted parallel investigations. Their findings exposed several systemic failures, such as poor engineering design, maintenance lapses, and personnel deficiencies within CAAP. Additionally, the investigations revealed a lack of redundancy in critical systems, along with unresolved equipment issues that exacerbated the crisis. These shortcomings underscored longstanding governance and operational weaknesses rooted in CAAP's conflicting roles. Despite corrective actions taken post-incident, the report underscores persistent challenges and emphasizes the urgent need for compliance with international standards to safeguard the country's aviation industry (Senate of the Philippines, 2023, pp.9-52).

Applying new institutional theory to the CAAP offers insights into how institutional pressures and isomorphic forces shape its regulatory practices and decision-making processes. This study explores how institutional logics and institutional complexity drive CAAP's behaviors, reforms, and efforts to achieve organizational legitimacy. By identifying feasible organizational responses, this study aims to address these institutional complexities, thereby strengthening CAAP's role and authority as a regulator in the air transport sector.

This research seeks to address three critical questions:

1. What institutional pressures have influenced CAAP's pursuit of organizational legitimacy?

2. How do multiple institutional logics affect CAAP's operations, and in what ways does their interplay contribute to institutional complexity, impacting CAAP's effectiveness and accountability?

3. What organizational strategies or reforms could help CAAP effectively manage institutional complexity as an airport regulator?

Grounded in new institutional theory, the study argues that institutional pressures leading to isomorphism, alongside competing institutional logics, result in institutional complexity that undermines CAAP's responsiveness, efficiency, and legitimacy. The study aims to offer valuable insights into the regulatory landscape of the Philippine aviation sector, contributing to policy interventions for a more accountable and effective regulatory framework.

This research also seeks to expand the limited academic discourse on applying new institutional theory to aviation regulation, particularly within the Philippine context. Studies like Sakyi and Azunu (2013) examined the operations of service providers at Ghana Airport, revealing viable organizational responses to internal problems confronting the air transport sector. In their study, Kurt and Gerede (2018, p. 102) also referenced Farashahi (2003), who analyzed the interaction between global norms and local pressures within Iranian aviation organizations, emphasizing the predominance of international regulations over national directives. Similarly, Detra (2006) explored the legitimacy of the Universal Safety Oversight Audit Programme (USOAP) and the regulatory authority of the International Civil Aviation Organization (ICAO), concluding that these institutions maintain enduring legitimacy even within sovereign national contexts. Building on these perspectives, Kurt and Gerede (2018) assessed Turkey's Safety Management System (SMS) through the lens of new institutional theory, illustrating the persistent tension between compliance and regulatory effectiveness.

However, despite these contributions, there remains a gap in exploring airport governance in the Philippines using new institutional theory. This study addresses this gap, aiming to enrich the understanding of CAAP's regulatory challenges and enhance its governance strategies in the aviation industry.

Literature Review

Institutional theory is a complex field that spans various disciplines like economics, sociology, political science, history, and ecology. It can be broadly categorized into two schools: old and new institutionalism (Greenwood, et al., 2008; Mohamed, 2017, p.150). In their work, Thornton and Ocasio (2008, p. 100) referenced Selznick's (1948, 1949, 1957) empirical analyses of organizations and their institutional environments, along with Parsons' (1956) theoretical insights on how institutions integrate organizations within society through universalistic rules, contracts, and authority structures. Similarly, Lammers and Garcia (2017, p. 196) cited Weber (1968), often regarded as one of the earliest institutional theorists, who emphasized the role of control in institutionalized life and described institutions as "involuntary associations." Over time, institutional theory has evolved into one of the main theories of Organization and Management (Haveman & David, 2008, as cited in Cruz-Suarez et al.2014, p.576)

The Rise of New Institutionalism

According to Greenwood et al. (2008), the foundations of organizational institutionalism began to take shape in the late 1970s and early 1980s through the seminal works of Meyer and Rowan (1977), Zucker (1977), and DiMaggio and Powell (1983), whose studies collectively established the core theoretical underpinnings of the field. From 1983 to 1991, these works laid the groundwork for understanding how social values influence organizational structures for legitimization (DiMaggio & Powell, 1991). The new institutional theory argues that organizations and processes are shaped by their conformation to the institutional environment they are in (DiMaggio & Powell, 1983; Özen, 2004; Adiloğlu-Yalçınkaya & Beşler, 2021, p.1). Over the last few decades, concepts central to institutionalism, such as legitimacy, institutional logics, and isomorphism, have gained wider recognition.

The new institutional theory centers its analysis on the "organizational field" (Sargut & Özen, 2010, as cited in Adiloglu & Besler, 2021, pp. 1-2). DiMaggio & Powell (1983) define this field as "institutional life formed by key suppliers, consumers, regulatory actors, and organizations that offer the same products and services," a concept that has gained widespread recognition in institutional theory literature. In the context of Philippine air transportation, the organizational field includes airline companies engaged in passenger and cargo transport, as well as key suppliers and support entities such as aircraft maintenance firms, ground handling companies, catering providers, IT vendors, fuel suppliers, and aircraft manufacturers. Regulatory actors include the CAAP, which oversees national aviation standards, as well as the Department of Transportation (DOTr). At the international level, Philippine organizations interact with global regulatory bodies such as the ICAO and the International Air Transport Association (IATA). Additionally, airport operators, terminal managers, and relevant nongovernmental organizations contribute to the institutional framework of the Philippine air transport sector.

Legitimacy

Another significant aspect emphasized by the new institutional theory is the organization's drive to gain acceptance within its institutional environment (Çakar & Danışman, 2017, as cited in Adiloğlu-Yalçınkaya & Beşler, 2021, p.2). According

to this theory, organizations enhance their chances of survival by bolstering their legitimacy within their field (Sargut & Özen, 2010; Adiloğlu-Yalçınkaya & Beşler, 2021, p.2). Organizations have a tendency to become institutionalized in order to survive. To do so, they must cultivate their legitimacy (DiMaggio & Powell, 1983; Zucker, 1987; as cited in Cruz-Suarez et al., 2014, p.576). Meyer and Rowan (1977) were pivotal in illustrating how organizations adopt formal structures to align with institutional expectations, sometimes purely symbolically, to project legitimacy. Their work redefined the concept of "institutions," shifting from the view of discrete entities that reflect social values to encompassing internal policies and practices that signal conformity to societal norms.

This institutionalization process, as Meyer and Rowan (1977) explain, signifies how policies and practices become widely adopted across organizations, mirroring broad social endorsement. As more organizations embrace these elements, they become norms, creating conformity pressures on others within the field to adopt them as well. David et al. (2019), further argue that as these organizational elements gain institutional legitimacy, their symbolic nature drives ongoing diffusion, reinforcing the imperative for other organizations to follow suit. The emphasis on legitimacy and symbolic conformity reveals how deeply institutional forces shape organizational strategies, structures, and practices, making alignment with these norms essential for survival and success.

Legitimacy, a multifaceted concept, is delineated in various ways in the literature. Suchman (1995) identifies three types: cognitive, moral, and pragmatic. Cognitive legitimacy occurs when organizations earn a "taken-for-granted" status that is unquestionable and beyond dissent. Moral legitimacy is related to compliance with the moral value judgments of society. It is about ethical decisions that focus on whether the activity is "the right thing to do," not whether the activity of the organization provides rational benefit. And finally, pragmatic legitimacy is related to compliance with rational interests and rules. It is based on concrete rewards and cost-benefit analysis (Kurt & Gerede, 2018, p.99). Similarly, Scott (2008, as cited in Adiloğlu-Yalçınkaya & Beşler, 2021, p.2) states that legitimacy has three pillars: regulative, normative, and cultural-cognitive. Regulative legitimacy arises from compliance with laws and government regulations. Normative legitimacy is tied to moral values and conforming to the norms and values of society, while cultural-cognitive legitimacy pertains to socially-constructed interpretations, shared beliefs and to being seen as rational and efficient.

Meyer and Rowan (1977) argue that formal/institutionalized elements function as symbols/myths that help organizations appear rational and therefore gain legitimacy. Suchman (1995, p.574) further defines legitimacy as the perception that an entity's actions are desirable within a socially constructed system. This aligns with Weber's (1978) concept of legal-rational authority, wherein legitimacy arises from the belief in the legality of enacted rules and that compliance with social norms and laws confers legitimacy (as cited in Mohamed, 2017, pp.150-155.)

In summary, new institutional theory posits that organizations seek legitimacy to enhance survival, with legitimacy defined across various dimensions. Conformity to institutional pressures through isomorphism reinforces legitimacy, protecting organizations from external scrutiny.

Isomorphism

Organizations strive for legitimacy by conforming to institutional pressures, leading to isomorphism, as outlined by DiMaggio & Powell (1983). One of the main assumptions of the new institutional theory is that organizations in the same organizational field become isomorphic because of coercive, normative, and mimetic mechanisms (DiMaggio & Powell, 1991). Isomorphism refers to the process whereby organizations become more alike over time due to pressures from their institutional environments, categorized as coercive, normative, and mimetic.

Coercive isomorphism stems from external authorities, such as laws and regulations, or dependencies on stakeholders for resources (pressure from external authorities, regulations, or powerful entities). Normative isomorphism is linked to professionalization, where adherence to social and cognitive norms becomes standard practice for legitimacy and survival–i.e., pressure to conform to professional standards and cultural norms. Mimetic isomorphism arises from organizations' efforts to emulate perceived successful counterparts–i.e., imitation of successful organizations (DiMaggio & Powell, 1991; Kurt & Gerede, 2018, p.99).

The theory posits that organizations within the same field become isomorphic due to coercive, normative, and mimetic mechanisms, leading to homogeneity in organizational structures. This homogenization aligns organizations with institutional expectations, enhancing legitimacy and survival prospects (Morrill & McKee, 1993, pp. 449-456; as cited in Kurt & Gerede, 2018, p.99).

Institutional Logics

Institutional logic is one of the concepts used to explain the reasons for organizational behavior (Cobb et al., 2016; Vickers et al., 2017; as cited in Kurt, 2021, p.2). The term institutional logics was introduced by sociologists Alford and Friedland (1985, as cited in Thornton & Ocasio, 2008, pp.100-101) to describe the contradictory practices and beliefs inherent in the institutions of modern Western societies. The concept of institutional logics draws from Max Weber's writings on rationalities influencing action. It encompasses interrelated cultural elements guiding individuals and organizations in their daily activities and decision-making processes. These logics determine both instrumental and value-driven behaviors, shaping rational and legitimate actions within institutional fields (Haveman et al., 2023). Weber (as cited in Haveman et al., 2023, p.1154) argued that the behavior of individuals, groups, and organizations depends on both rationalities and external factors such as state policy and technology. Institutional logics were subsequently defined by Thornton and Ocasio (1999) as "the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (p. 804).

Thus, institutional logics shape rational and mindful behavior and establish legitimate behavior in particular institutional fields (Carlsson-Wall et al., 2016; Quattrone, 2015; Thornton & Ocasio, 2008; as cited in Knardal, 2019, p.302). This suggests that the institutional logics approach influences the function of norms and routines in an organization, for example, and so creates a relationship between institutions and action (Thornton & Ocasio, 2008).

It was noted that the organizational field does not always remain the same and can change over time due to the impact of major external factors, and changes in institutions or institutional logics (Adiloğlu-Yalçınkaya & Besler, 2021). Institutional logics, which guide organizational behavior, have been categorized in various ways. According to Kurt (2021, p. 2), various scholars have proposed different classifications of institutional logics: Friedland and Alford (1991) identified five types—capital market, family, bureaucratic state, democracy, and religion; Thornton et al. (2012) added society and profession; and Freidson (2001) suggested a simplified triad of market, bureaucracy, and profession. Overall, four fundamental logics emerge as the most widely accepted—state logic, professional logic, market logic, and community logic.

State logic, meanwhile, emphasizes compliance with regulations and rules set by authorities, with state agencies playing a central role in shaping organizational behavior. This logic emphasizes bureaucracy, hierarchy, and control. Professional logic revolves around organizing and overseeing professionals' activities, emphasizing ethical obligations and expertise. This logic emphasizes expertise, specialization, and autonomy. Market logic focuses on customer preferences and economic interests, driving organizations to gain a competitive edge. This logic emphasizes efficiency, profitability, and competition. Community logic prioritizes societal well-being over commercial profit, fostering collaboration with non-profit organizations. This logic emphasizes cooperation, mutual benefit, and social solidarity.

Multiple institutional logics may coexist within an organization or field, leading to institutional complexity. Research has offered differing perspectives on the effects of this complexity, ranging from conflict to blending of logics. However, understanding these logics is essential for navigating institutional environments and shaping organizational practices effectively.

Institutional Complexity

Institutional complexity arises when organizations encounter conflicting prescriptions from multiple institutional logics, which provide overarching principles guiding behavior and decision-making (Greenwood et al., 2011). Institutional logics, as defined by Friedland and Alford (1991) and later elaborated by Thornton (2004), dictate how individuals and organizations interpret and act within social contexts.

As noted by Haveman et al. (2023, p. 1154), early studies viewed institutional logics as inherently incompatible, giving rise to competition and negotiation within organizations. Subsequent research, however, acknowledged that these logics operate at multiple levels—societal, organizational, industry, and interorganizational fields. For instance, Alessi, an Italian design firm, integrates industrial manufacturing and cultural production logics to maintain cultural legitimacy while achieving a competitive advantage. In the American healthcare sector, institutional logics have evolved from a professional orientation dominated by physicians to a state logic shaped by government regulation, and more recently to an economic logic driven by cost-efficiency imperatives of insurance companies. Similarly, in China, enterprises have shifted from a state-oriented logic to a market-oriented one that prioritizes efficiency and competition.

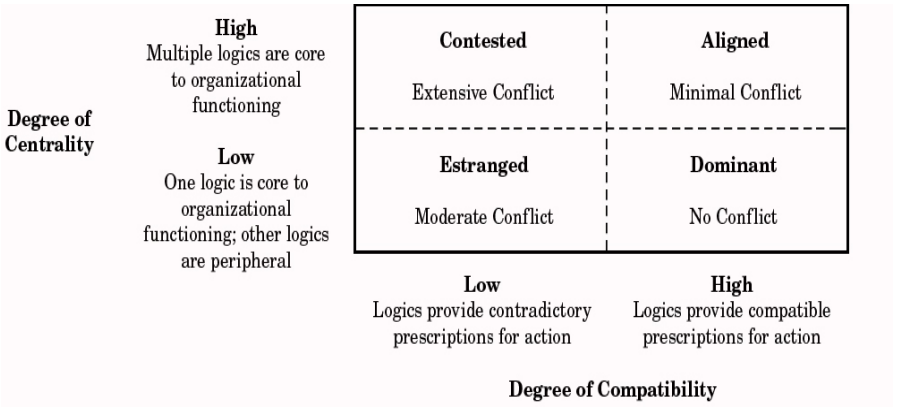
There is also an interplay of institutional logics in the Philippine bureaucracy. For example, the Department of Health (DOH) reflects a blend of state logic (compliance with health regulations), professional logic (prioritizing healthcare expertise), and community logic (public health and welfare initiatives). Policies on vaccination programs may be shaped by state logic (enforcing health mandates), but they also involve professional (health experts providing medical guidance) and community logic (aiming for societal well-being by protecting vulnerable populations). In a private setting, Philippine Airlines (PAL) embodies market logic (competing with other airlines for passengers), state logic (regulations set by the Civil Aeronautics Board), and professional logic (pilots and crew following strict aviation standards). This mix of logics can sometimes create tension between maximizing profit and maintaining regulatory compliance or meeting ethical standards for customer safety and service.

These logics serve as organizing principles, guiding actions, and justifying resistance to prevailing structures. However, not all logics are compatible, leading to tensions and conflicts within organizations. Despite this, organizations must navigate multiple logics, leading to institutional complexity and the need to reconcile conflicting demands. Collaboration between actors with different logics is possible, acknowledging the legitimacy of diverse perspectives.

Recent research at the intra-organizational level focuses on the presence of multiple logics within organizations. Besharov and Smith (2014, as cited in David et al., 2019, p. 8) introduced a framework categorizing types of logic multiplicity based on two dimensions: compatibility and centrality. Hybrid organizations, characterized by low compatibility but high centrality of different logics, have garnered attention in studies examining how they manage tensions arising from logic conflict (Battilana & Dorado, 2010; Jay, 2012; Pache & Santos, 2013; as cited in David et al., 2019, p.8) (See Figure 1).

Figure 1

Types of Logic Multiplicity Within Organizations



Haveman et al. (2023, pp. 1154-1155) expounded on Besharov and Smith's (2014) logic multiplicity framework, presenting a four-cell typology with examples based on the dimensions of compatibility and centrality when multiple institutional logics coexist:

> 1. Low compatibility, high centrality - This results in contested and extensive conflict, as seen in U.S. bank acquisitions during the 1990s-2000s. Here, the logic of efficient geographic diversification clashed with the community banking logic, prompting resistance through the creation of new local banks (Marquis & Lounsbury, 2007).
>
> 2. High compatibility, high centrality - This leads to alignment or hybridization with minimal conflict. For example, public–private energy-industry partnerships synthesize public service and client service logics into a new, blended approach to accommodate divergent success criteria (Jay, 2012).
>
> 3. High compatibility, low centrality - Dominance of a single logic with no conflict. The shareholder-value logic, emphasizing short-term profit maximization, has been pervasive in American corporations since the 1980s, remaining unchallenged even during the 2008–2010 financial crisis (Fligstein, 2001; Fligstein & Goldstein, 2022).
>
> 4. Low compatibility, low centrality - Here, one dominant logic prevails with moderate conflict as stakeholders navigate between logics. For instance, a cultural organization balancing cultural preservation and professional logics experienced only moderate friction when a market logic was introduced by senior managers, as it was not central to its core mission (Townley, 2002).

Organizational Responses to Institutional Complexity

Organizations have various strategies to address institutional complexity stemming from conflicting demands. According to Greenwood et al. (2011), research in this area focuses on two main aspects: organizational strategies and organizational structures. Organizational strategies refer to the line of research that explores how organizations align themselves with their environments to achieve goals. Oliver (1991) identified strategic responses with varying levels of agency–acquiescence, compromise, avoidance, defiance, and manipulation. Organizational structures, on the other hand, focus on how organizations reflect multiple logics and conflicting pressures through their structures, often resulting in hybrid organizations. Gabriagues & Garreau (2023) illustrate the concept of blended hybrids through examples such as commercial microfinance lenders (Battilana & Dorado, 2010), social enterprises (Pache & Santos, 2013), and public–private partnerships (Jay, 2012), which exemplify organizations that integrate multiple institutional logics. Additionally, structural hybrids utilize compartmentalization, where different subunits operate independently according to specific logics (Kraatz & Block, 2008; Greenwood et al., 2011). For instance, the

U.S. intercollegiate athletics departments use compartmentalized units to cater to different audiences, which can also lead to goal conflicts. Compartmentalization, or structural differentiation, is a form of decoupling where organizations separate subunits to address different institutional demands while implementing collaboration mechanisms to maintain coherence (Pache & Santos, 2013). This approach helps organizations manage diverse stakeholder expectations and reduce internal conflict.

Three main management strategies identified from the literature were integrating/combining logics, compromising logics, and decoupling logics (Batillana & Dorado, 2010; Pache & Santos, 2013; David et al., 2019, cited in Heeks et al., 2020, p.35),

> • Integrating or combining logics is where organizations amalgamate elements from competing logics. For example, when creating a working group made up of some members subscribing to one logic, and some members subscribing to the other logic. Pache and Santos (2013) describe a variant form of combination as "selective coupling," which can be understood as combining a relatively few components from each of the two logics. A well-cited example is Battilana and Dorado's (2010) study of microfinance organizations in Bolivia. These organizations merged the competing logics of development (alleviating poverty) and banking (profit generation) to form sustainable hybrid models. They achieved this integration by hiring employees without prior exposure to either logic, then training them to blend both financial discipline and social impact values into their work practices. This approach prevented internal factions based on differing values from forming and ensured alignment toward the organization's mission.
>
> • Meanwhile, compromising logics intends to balance conflicting expectations of multiple constituents (Oliver, 1991). Theoretically, there are three ways to achieve compromise (Pache & Santos, 2013). First, it can take place through conforming to the minimum standards of what is expected. Second, by bringing together elements from the competing logics into a new behavior. The last strategy implies bargaining with institutional referents to alter their demands. For example, a microfinance organization sets a compromise lending interest rate that is lower than the market rate but higher than the very poorest could afford.
>
> • Decoupling logics is another strategy, where organizations distinguish between prescribed and operational structures or separate the symbolic endorsement of one logic from operational practices. This involves separating different logics from each other. In organization theory and particularly, new institutional theory, the term "decoupling" refers to the creation and maintenance of gaps between formal policies and actual organizational management and implementation processes. Decoupling or delinking of an

> organization is about the separation of functions based on expertise, knowledge, or strategic vision of the organization to ensure that competitiveness is promoted. According to Sakyi and Azunu (2013), the theory of decoupling reflects the emergence of independence and maturity within organizations, wherein certain sectors evolve into fully fledged units capable of operating autonomously while still being institutionally linked to the parent organization. The theory of decoupling illicit ideas of independence, maturity, fully fledged sectors within an organization that can run on their own. The three types of decoupling are limited decoupling, partial decoupling, and full decoupling (Sakyi & Azunu, 2013). From an organizational studies standpoint, the term decoupling refers to the detachment, separation, or breaking up of a 'mother-entity' or organization to create separate units based on specific function (Oliver, 1991).

These strategies demonstrate how organizations navigate the complexities of multiple institutional logics to maintain legitimacy and functionality.

Methodology

This study adopts a qualitative research design, utilizing document analysis as the primary method to examine the evolution of airport regulation in the Philippines. Data sources include historical narratives from Basilio and Villanueva (2023), official documents from the Civil Aviation Authority of the Philippines (CAAP) and the Civil Aeronautics Board (CAB), as well as relevant policy issuances and legislative records. The qualitative approach is chosen for its ability to provide deep insights into complex institutional environments, privileging descriptive and contextual accounts over generalizations (Creswell, 2008; Dey, 2005; as cited in Kurt & Gerede, 2018, p.103).

To structure the analysis, this study applies an analytical framework grounded in new institutional theory. The framework guides the study in three steps:

> 1. Institutional pressures and historical evolution – Using DiMaggio and Powell's (1983) concept of isomorphism, the study examines coercive (laws, international mandates), normative (professional standards), and mimetic (global adoption) pressures that have shaped civil aviation regulation in the Philippines. A chronological review of key policies and reforms identifies the institutional drivers behind CAAP's creation and evolution.
>
> 2. Institutional logics and complexity – Applying Besharov and Smith's (2014) framework on logic multiplicity, the study analyzes the interplay of CAAP's regulatory, operational, and investigatory functions. This step evaluates the compatibility and centrality of these logics, identifying points of tension and institutional complexity that affect CAAP's effectiveness and accountability.

3. Organizational responses and reform strategies – Drawing on the three main management strategies and typology of organizational responses to institutional pressures, as well as comparative cases from Southeast Asia (Basilio & Villanueva, 2023) and Ghana (Sakyi & Azunu, 2013), the study explores feasible reforms for CAAP. This includes examining international strategies, such as decoupling regulatory and operational functions, to propose context-appropriate reforms in Philippine civil aviation governance.

The integration of this framework ensures that each research question is addressed systematically: institutional pressures explain CAAP's pursuit of legitimacy; institutional logics and their conflicts reveal the sources of institutional complexity; and comparative insights inform feasible organizational strategies and reforms.

Results and Discussions

This section examines the historical evolution of civil aviation regulations in the Philippines, highlighting the institutional pressures and logics that led to the creation of the CAAP. Through a review of key policies, mandates, and reforms, we analyze how these factors have shaped the current regulatory landscape. Applying Besharov and Smith's (2014) framework, we explore the conflicting institutional logics that influence CAAP's decision-making, with a focus on the tensions between its regulatory, operational, and investigatory roles. This analysis sheds light on the challenges CAAP faces in balancing these diverse functions. The discussion extends to comparative strategies from Southeast Asia and the Ghana Civil Aviation Authority, examining how they address institutional complexity in aviation regulation. By drawing on these international examples, we propose policy recommendations to enhance the effectiveness of civil aviation governance in the Philippines.

Aviation Policies in the Philippines: Past and Present

Drawing from Basilio and Villanueva's (2023) analysis of regulatory shifts in the transportation sector, they traced the historical development of air transport regulation in the Philippines. Over the decades, the regulatory body evolved through multiple transformations, marked by changes in names, expanded mandates, and shifting lines of authority. A significant turning point came in 2008 with the enactment of Republic Act 9497 (The Civil Aviation Act of 2008), which replaced the Air Transportation Office (ATO) with the Civil Aviation Authority of the Philippines (CAAP). Table 1 provides a chronological overview of key milestones in the evolution of civil aviation oversight and its functions within the country. It integrates the authors' analysis of institutional pressures, isomorphism, and the institutional logics that have influenced each regulatory issuance.

Table 1
Evolution of Air Transport Governance Functions

Issuance	Title/Description	Chain of Function	Institutional Pressure / Isomorphism	Institutional Logic
Act No. 3909 (1931)	Creation of the Office of Technical Assistant of Aviation Matters under the Department of Commerce and Communication	Providing that the Secretary of the Department of Commerce and Communications has the duty, among others, to foster air commerce; encourage the establishment of airports, civil airways, and other navigation facilities; and investigate causes of air mishaps. As such, the Secretary has the power to administer and enforce air traffic rules, issue or revoke licenses, and issue regulations necessary to execute his vested functions.	Coercive (government-mandated establishment)	State logic
Act No. 3996 (1932)	This law amended Act No. 3909 to refine and expand regulatory measures related to civil aviation in the Philippines.	Amended Act No. 3909 as to matters concerning the licensing of airmen and aircraft, inspection of aircraft, air traffic rules, schedules and rates and enforcement of aviation laws. Operational and safety regulation and market regulation	Normative (professional standards in aviation)	Professional logic (primary) State logic and market logic (secondary)
Act No. 4007 (1932) Administrative Order (AO) No. 309	Reorganization Law: Department of Commerce and Communication became the Department of Public Works and Communication. Office of Technical Assistant of Aviation Matters upgraded to Aeronautics Division	The reorganization empowered the Aeronautics Division to oversee civil aviation activities: Licensing of airmen and aircraft, aircraft registration, and aeronautical activities	Coercive (reorganization and streamlining of government offices mandated by the government) Mimetic (aligning with international aviation practices)	State & professional logic Community logic (emerging)

Issuance	Title/Description	Chain of Function	Institutional Pressure / Isomorphism	Institutional Logic
Act No. 4033 (1932)	An Act amending certain provisions of Act No. 3108, as amended, entitled, "An Act creating a Public Utility Commission and prescribing its duties and powers, and for other purposes," was approved on 9 December 1932. The act created a Public Utility Commission. Aviation public services need a franchise from Congress.	Act No. 4033 expanded the duties of the Public Utility Commission by integrating air transport into its regulatory framework, ensuring comprehensive oversight over aviation operations. No aviation public service, including those of foreign aircraft, shall operate in the Philippines without having first secured from the Philippine legislature a franchise to operate an air service.	Coercive (compliance with legal mandates)	State, market, and community logic
Commonwealth Act (CA) No. 168 (1936)	On November 12, 1936, the National Assembly passed Commonwealth Act No. 168, otherwise known as the Civil Aviation Law of the Philippines, creating the Bureau of Aeronautics and organizing the same under the Department of Public Works and Communications.	After the liberation of the Philippines in March 1945, the Bureau was reorganized and placed under the Department of National Defense. Among its functions was to promulgate civil aviation regulations. It centralized the regulation of civil aviation under the Bureau. This law aimed to promote the development of aviation, ensure air traffic safety, and establish a comprehensive regulatory system for the aviation industry.	Coercive (government centralization of aviation oversight)	State logic (government as primary regulator and enforcer of aviation standards)
CA No. 529 (1940)	Placed the Bureau of Aeronautics under the Department of National Defense and gave the Director of Aeronautics greater power in supervising aviation schools	Supervising aviation schools, promulgating civil aviation regulations.	Coercive (align aviation oversight with national security concerns; military oversight during wartime (World War II)	State and professional logic (assertion of national security over critical infrastructure)

Issuance	Title/Description	Chain of Function	Institutional Pressure / Isomorphism	Institutional Logic
AO No. 7 (1946)	Created the Civil Aeronautics Commission (CAC) to promote efficient and coordinated development of civilian air transportation in the Philippines, with the Secretary of Public Works and Communications as chairman and the Director of Aeronautics as one of the members.	CAC introduced a structured chain of functions for regulating civil aviation. The Commission aimed to regulate the issuance of permits and licenses, designate civil airways or routes, and granted enforcement powers, including subpoenas, summon witnesses, administer oaths, and gather testimonies related to aviation matters, and ensure the orderly growth of the aviation sector in the post-World War II era.	Coercive (established regulatory body to ensure compliance with aviation laws)	State logic (State control over the aviation sector for national development)
Executive Order (EO) 94 (1947)	This Executive Order reorganized the executive departments, bureaus, and agencies of the Philippine government, leading to the creation of the Civil Aeronautics Administration (CAA) and the Civil Aeronautics Board (CAB). These entities replaced the Bureau of Aeronautics and the CAC. The newly established agencies were placed under the Department of Commerce and Industry, signifying a shift towards a more structured and centralized regulation of civil aviation in the post-war period.	Oversight of air traffic, airmen licensing, accident investigation, and airport management. Regulatory framework: policy direction, technical oversight (CAA), economic regulation (CAB), coordination and collaboration.	Coercive (government restructuring for civil aviation management-ICAO called for the standardization of aviation regulations worldwide.)	State, professional, and market logics

Issuance	Title/Description	Chain of Function	Institutional Pressure / Isomorphism	Institutional Logic
Republic Act (RA) 224 (1948)	Created the National Airports Corporation (NAC) to serve as an agency of the national government for the development, administration, operation, and management of government-owned landing fields (airports) in the Philippines except for those controlled and/or operated by the Armed Forces.	The creation of the NAC aimed to enhance the infrastructure and operational capacity of civilian airports, excluding those controlled by the Armed Forces. Development and construction, airport management, revenue generation, coordination with CAA, and management of airports	Coercive (government to centralize and professionalize the management of airports) Normative (focus on airport management best practices)	State, professional, market, and community logics
EO 365 (1950)	Abolished the NAC and transferred all its functions, funds, capital, and properties to the CAA. It also established the Manila International Airport Division under the CAA to oversee the operation and management of Manila's main airport.	The CAA became the central authority for all civil aviation matters in the Philippines, consolidating airport operations and management, infrastructure development, and regulatory oversight under one agency.	Coercive (improve regulatory compliance to ICAO)	State and bureaucratic logics (state-led coordination and oversight to ensure safety, efficiency, and reliability of the aviation sector.
RA 776 (1952)	The Civil Aeronautics Act of the Philippines. Declared it a policy for CAB and CAA to be guided by the same common objectives enumerated in Section 136 of EO 94 of 1947 with the inclusion of the need for both agencies to "promote the safety of flight in air commerce in the Philippines	CAB: Regulation of airfares, routes, and schedules for both domestic and international carriers. Licensing of air operators and enforcement of competition rules to prevent monopolistic practices. CAA: Under RA 776, the CAA was charged with the duty of planning, designing, constructing, equipping, expanding, improving, repairing or altering aerodromes or such other structures, improvements, or air navigation facilities.	Normative (adopting international civil aviation standards -emphasis on professional standards)	Professional and market logics

Issuance	Title/Description	Chain of Function	Institutional Pressure / Isomorphism	Institutional Logic
EO 209 (1956)	Transferred into the CAA to the Department of Public Works, Transportation and Communications from the Department of Commerce and Industry	The reorganization aimed to streamline government functions related to transportation, infrastructure, and communication under one department, enhancing coordination and efficiency.	Coercive (government-mandated structural change/ reorganization)	State logic
Presidential Decree (PD) No. 189 (1973	Reconstituted and attached the CAB under the newly created Department of Tourism and decreed the Secretary of Tourism as its Chairman to support government efforts towards trade promotion.	The primary objective was to align the regulation of air transport with the government's broader strategy of promoting tourism and trade.	Normative (alignment to global standards) and coercive (top-down directive by the government to realign regulatory bodies in support of national development goals during the Martial Law)	Market and state logics
Letter of Instruction (LOI) No. 244 (1975)	On 20 January, 1975, LOI No. 244, series of 1975, directed that all funds for the preliminary engineering, construction, and maintenance of all national airports appropriated for the fiscal year 1974-75 be transferred and/ or released to the Department of Public Highways. The responsibilities related to location, planning, design, and funding were later returned to the CAA.	CAA's role: The CAA continued to oversee air traffic control, safety regulations, airmen licensing, and operational management of aerodromes. Later, the planning and funding of airport projects were returned to the CAA.	Coercive (under Martial Law era to centralize infrastructure projects - in line with the Integrated Reorganization Plan)	State and professional logics (reverting to CAA and recognizing the specialized knowledge and expertise for airport development)
PD 1462 (1978)	Amendments to Civil Aeronautics Act, CAB powers expansion	The amendments were designed to enhance the regulatory framework for civil aviation, with the goal of supporting the growth and modernization of the sector in alignment with national trade, commerce, and tourism goals.	Coercive (government drive for aviation sector growth)	State and market logic

Issuance	Title/Description	Chain of Function	Institutional Pressure / Isomorphism	Institutional Logic
EO 546 (1979)	Renaming CAA to Bureau of Air Transportation (BAT) under the Ministry of Transportation and Communications (MOTC)	The reorganization aimed to centralize air transport regulation under a specialized bureau, ensuring better management and focus on the growing demands of the aviation sector.	Coercive (organizational restructuring)	State logic
EO 125 (1987) EO 125-A (1987)	Reorganized the Ministry of Transportation and Communication, renamed the BAT as the Air Transportation Office (ATO), and transferred both the CAB and ATO under the Ministry.	MOTC: At the top of the chain, MOTC had the authority to oversee all transportation sectors, including air transport. It formulated broad policies, provided overall direction, and ensured the alignment of the transport sector with national goals. CAB: The CAB's role was focused on economic regulation. It set fares, defined international air service routes, negotiated bilateral agreements with other countries, and ensured fair competition among airlines. ATO: The ATO operated at the operational and technical level, managing air traffic, licensing air operators, conducting safety audits, and ensuring compliance with international aviation standards.	Coercive and normative	State, professional, market, and community logics
EO 217 (1987)	Transferred the Chairmanship of the CAB from the Minister of Tourism to the Secretary of Transportation and Communication	The Secretary of Transportation and Communications now directly oversaw the CAB, ensuring that the regulatory framework for air transport aligned with broader national transportation policies and objectives. The CAB continued to be the primary body responsible for regulating the economic aspects of civil aviation, including issuing permits, regulating routes, fares, and ensuring fair competition within the aviation industry.	Coercive and normative	State, professional, market, and community logics

Issuance	Title/Description	Chain of Function	Institutional Pressure / Isomorphism	Institutional Logic
EO 219 (1995)	Call to establish the domestic and international civil aviation liberalization policy and mandate the CAB to implement this policy	Promotion of aviation liberalization policies. CAB was given the responsibility to align the country's aviation policies with international trends and agreements related to air services liberalization, encouraging competition and global integration.	Mimetic (adoption of global liberalization trends), coercive, and normative	Market, state, and community logics
RA 9497 (2008)	Emphasis on safety. Created the more powerful and autonomous Civil Aviation Authority of the Philippines (CAAP) to replace ATO. Affirms that CAB maintains its powers and functions	It consolidated the roles of regulating air transport, safety oversight, and air traffic services under one organization, with an emphasis on improving safety and efficiency in the aviation sector. Regulation and safety oversight: As a regulator, CAAP is responsible for non-economic regulatory oversight, especially safety. It is tasked with certifying the safety of aerodromes – air traffic control, airports, installations, crash and fire equipment. It also issues licenses and regulates air operators, aircraft, pilots, and air traffic controllers. Through the conduct of safety oversight, the CAAP's main role should be to ensure that service providers and operators comply with regulations i.e. operational procedures, safety performance, data accuracy and promulgation and reporting) and pursue high safety and security levels/ standards.	Coercive (strengthening safety regulations) and normative (professional standards)	State, professional, Market, and community logics

Issuance	Title/Description	Chain of Function	Institutional Pressure / Isomorphism	Institutional Logic
		(continued from previous page) Operations management: As an operator, by virtue of Section 78 of RA 9497, CAAP performs functions such as balancing service revenues and costs, forecasting or projecting market sizes and sourcing and providing funds for new airports or expansion of existing ones, over and above its safety oversight functions. CAAP regulates what it also operates, i.e direct operations of services (air traffic and air navigation services) and aerodromes, thereby creating conflicts of interest. Investigation: As an investigator, based on Section 42 of RA 9497, CAAP is tasked to conduct investigations of air accidents (through the Aircraft Accident Investigation and Inquiry Board) pending the establishment of an independent and separate government agency to conduct investigation of accidents on land, air, and water. CAAP can also investigate any non-compliance with its regulations. Under Sec. 24, the Director General, on his own or through a private complaint or Board initiative, can investigate, decide, and penalize violations. On the other hand, the Board has appellate and subpoena powers over the decisions of the Director General. (Joint Foreign Chambers of the Philippines, 2018)		

Issuance	Title/Description	Chain of Function	Institutional Pressure / Isomorphism	Institutional Logic
EO 29 (2011)	Authorized the CAB and Philippine Air Panel to pursue more aggressively the international civil aviation liberalization policy.	EO 29 authorized the CAB and the Philippine Air Panels to aggressively pursue the goals of the international civil aviation liberalization policy. This executive order was aimed at opening up the Philippine air transport market to more international competition and aligning the country with global trends in aviation liberalization. The policy shift was intended to enhance aviation market efficiency, reduce airfares, and improve connectivity.	Mimetic (aligning with international liberalization trends)	Market, community, and state logics

Source. Basilio and Villanueva (2023, pp.54-56). Basic data of functions from CAAP and CAB websites. Author's own analysis of isomorphism and institutional logics

The evolution of air transport governance in the Philippines highlights a dynamic interaction of institutional pressures that influenced regulatory frameworks through coercive, normative, and mimetic isomorphism, guided by state, professional, market, and community logics. This evolution culminated in the establishment of the CAAP, a significant milestone in streamlining aviation oversight.

The regulatory journey began with Act No. 3909 (1931), creating the Office of Technical Assistant of Aviation Matters, which underscored a state-driven approach to aviation safety and infrastructure. This early regulation reflected coercive isomorphism, emphasizing government control to promote aviation growth, guided primarily by state logic. The subsequent amendment through Act No. 3996 (1932) aligned the country's aviation standards with international norms, introducing normative isomorphism and professional logic, as it raised technical and safety standards. The establishment of the Bureau of Aeronautics under Commonwealth Act (CA) No. 168 (1936) further centralized aviation regulation, reinforcing coercive isomorphism and state logic by consolidating government oversight to ensure public safety and orderly sector development. The transfer of aviation responsibilities to the Department of National Defense with CA No. 529 (1940) highlighted state logic driven by national security concerns, especially on the eve of World War II. The post-war Administrative Order (AO) No. 7 (1946) established the Civil Aeronautics Commission (CAC) to regulate civil aviation, reflecting coercive isomorphism and professional logic focused on safety and standardization. The creation of the Civil Aeronautics Administration (CAA) and the Civil Aeronautics Board (CAB) through Executive Order (EO) No. 94 (1947) exemplified state logic in centralizing aviation management, complemented by professional and market logics as CAB regulated economic aspects, such as airfares and routes.

The Civil Aeronautics Act (Republic Act [RA] 776) in 1952 embraced normative isomorphism by adopting international standards, especially from ICAO, reinforcing professional logic in prioritizing safety and infrastructure development. Subsequent reorganization efforts, such as EO 209 (1956) and Presidential Decree (PD) No. 189 (1973), reflected coercive isomorphism to streamline aviation functions under various departments, aligning with both state and market logics to boost tourism and economic growth. During the martial law period, infrastructure centralization (Letter of Instruction [LOI] No. 244, 1975) and regulatory enhancements (PD No. 1462, 1978) mirrored best practices from other nations, showcasing both mimetic and coercive isomorphism, driven by state and professional logics to enhance efficiency and safety. The renaming of agencies and restructuring through EO 546 (1979) and EO 125/125-A (1987) emphasized centralization under state logic while integrating professional standards. The shift towards liberalization in the 1990s, notably EO 219 (1995), embraced mimetic and normative isomorphism by adopting global deregulation trends, enhancing competition in alignment with market and community logics. This policy move aimed to integrate the Philippines into the global aviation network, promoting tourism and trade while ensuring safety and regulatory compliance through state oversight. These regulatory changes throughout the decades reflect how the Philippines navigated a balance between state control, professional standards, and market-driven growth, leading to the eventual formation of CAAP as a unified aviation authority.

Institutional Pressures and Institutional Logics in CAAP

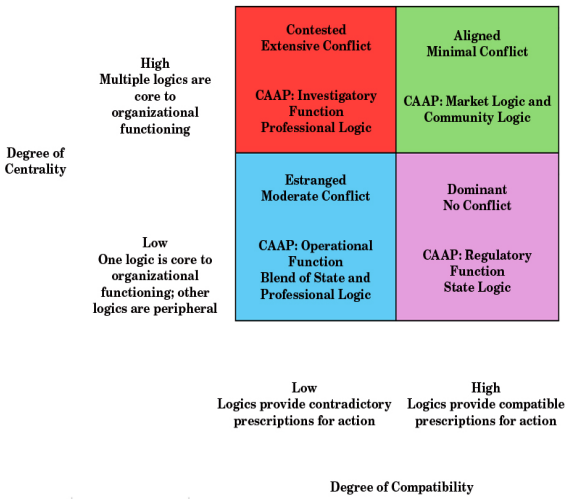
The CAAP, established under RA 9497 (2008), operates within a complex landscape influenced by various institutional pressures and logics. The agency's formation was primarily driven by coercive isomorphism, as the Philippines faced international pressure to align with global aviation standards set by organizations like the ICAO. Compliance with these standards was crucial to maintaining aviation credibility and avoiding sanctions. Additionally, normative isomorphism played a significant role, as CAAP focused on professionalizing its workforce to adhere to global safety and technical norms, thereby enhancing its industry credibility.

The CAAP's Charter and applicable laws affect its efficiency and transparency. It functions as a regulator, operator, and investigator (Rodolfo, 2017). Under current law, the CAAP faces the challenge of balancing multiple and sometimes conflicting roles within the aviation sector. On the one hand, CAAP is mandated to establish, operate, and develop airports, including the construction of new ones, to ensure the availability of air transport infrastructure, especially in remote areas. Simultaneously, it is tasked with regulating these same facilities, issuing certifications, conducting inspections, and investigating violations. This dual responsibility blurs CAAP's effectiveness both as a regulatory body and an airport operator, as it oversees and investigates its own operations, potentially compromising its regulatory efficacy.

Using Besharov and Smith's (2014) framework, we can analyze how multiple institutional logics shape the operations of the CAAP and the resulting institutional complexity. This framework assesses institutional environments by examining two key dimensions: centrality—the degree to which multiple logics are embedded in an organization's core activities—and compatibility—the extent to which these logics are consistent or conflicting with one another. Applying this framework to CAAP allows

us to understand how different logics influence its effectiveness and accountability as a regulator, operator, and investigator (See Figure 2).

Figure 2
CAAP's Logic Multiplicity



Source. Author's reinterpretation of Besharov and Smith (2014) framework

Institutional Logics at Play in CAAP

1. The **state logic** is predominant at CAAP, as it functions as a government agency tasked with compliance with regulations, oversight, and control of aviation operations in the Philippines. The organization adheres to both national and international laws, such as those established by the ICAO, and operates with a clear hierarchy and bureaucracy. As a regulator, CAAP ensures aviation safety through certification, inspections, and enforcement of rules, reflecting its core responsibility to the state. This logic drives CAAP's efforts to protect public welfare and maintain national sovereignty over airspace and aviation infrastructure.

2. **Professional logic** plays a key role due to the technical and specialized nature of aviation. CAAP's operations rely heavily on the expertise and specialization of aviation professionals, such as air traffic controllers, engineers, and safety inspectors. The agency ensures its personnel are well-trained and certified according to international standards, which fosters an environment of autonomy and specialization in technical decision-making. This logic supports CAAP's adherence to best practices in aviation safety, risk management, and operational efficiency, as it requires a highly skilled workforce to manage complex aviation systems.

3. While not as prominent in the context of a regulatory agency like CAAP, the market logic could still play a role in ensuring efficient and competitive aviation services within the country. Though a government entity, CAAP must also respond to **market logic** as it navigates the demands of the aviation industry. The organization faces pressures to balance the economic interests of the airline industry, airport operators, and passengers with regulatory oversight. By ensuring efficient and competitive air transport infrastructure, including the development of new airports, CAAP indirectly contributes to the economic growth and competitiveness of the Philippines in global and regional aviation markets. This market logic influences CAAP's decision-making, especially when it comes to optimizing resources and streamlining processes to meet industry needs.

4. CAAP's **community logic** reflects its responsibility toward societal well-being and public safety. As an agency tasked with overseeing aviation infrastructure in remote areas, its role goes beyond mere regulatory oversight. CAAP ensures that air transport is available and accessible to underserved communities, enhancing social solidarity and cooperation with non-profit organizations and local governments. This logic also drives CAAP's commitment to public service, ensuring that aviation contributes to national development and disaster response, especially in areas that lack other transportation infrastructure.

Centrality and Compatibility of CAAP's Functions

Using Besharov and Smith's framework, the centrality and compatibility of CAAP's roles can be analyzed by examining the institutional logics driving its regulatory, operational, and investigatory functions.

The regulatory role, rooted in state logic, is CAAP's core function, marked by high compatibility and low centrality. This role focuses on enforcing aviation regulations and safety standards to safeguard public welfare. It is seamlessly aligned with CAAP's mission, resulting in minimal internal conflict.

CAAP's operational function, managing government-owned airports, blends state and professional logics. While CAAP focuses on regulatory compliance (state logic), it also requires operational efficiency aligned with professional aviation standards. This function has low centrality, being secondary to CAAP's regulatory role, and low compatibility, as efficiency goals can sometimes clash with strict regulatory priorities. This tension creates moderate conflict as stakeholders balance safety with operational demands, with one dominant logic prevailing amidst competing pressures.

The investigatory function is where CAAP faces the contested and extensive conflict. The need for impartiality (professional logic) often clashes with state logic, given CAAP's dual role in overseeing investigations of its own operations. This overlap reduces perceived objectivity, as seen in cases like the 2023 NAIA CNS/ATM incident, where self-investigation led to public skepticism. This function has high centrality but low compatibility, highlighting significant conflict and the need for structural reforms to maintain public trust.

Market and community logics, while not primary, have high centrality and compatibility within CAAP, supporting its mission of national economic growth and social service. These logics align well with CAAP's broader goals, resulting in hybridization with minimal conflict.

Proposed CAAP Response to Institutional Complexity

To navigate institutional complexity, CAAP could adopt strategies similar to those used by other aviation authorities in Southeast Asia and beyond. Drawing from Sakyi and Azunu's (2013) study on the Ghana Civil Aviation Authority (GCAA), decoupling conflicting functions such as separating regulatory roles from service provision proved to enhance organizational effectiveness, including profitability, efficiency, and human resource management.

The shift from traditional public administration to New Public Management (NPM), driven by globalization and emerging challenges, emphasizes the need for functional separation within public organizations. While traditional approaches accepted the integration of functions even if potentially conflicting, NPM advocates for clearer distinctions. Pollitt and Bouckaert (2000) note that public organizations now face internal and international pressures to reform, leading to widespread NPM-driven policies that separate policy-making from policy execution, often through independent authorities and contractual arrangements. Sakyi and Azunu (2013) emphasize that NPM questions the role of the state in commercial enterprises and calls for a distinct boundary between regulatory and operational functions.

CAAP's overlapping roles as regulator, operator, and investigator create significant conflicts of interest, especially in critical areas like accident investigations where neutrality is vital. For instance, CAAP's dual responsibility for both overseeing and investigating its own operations has sparked concerns over objectivity, as highlighted by public skepticism following the NAIA incident. According to ICAO (2008), best practices dictate that air navigation services should be operationally autonomous from regulatory oversight to prevent conflicts of interest. ICAO's Safety Oversight Manual emphasizes that countries where the state acts as both regulator and service provider can better serve public interests by clearly separating these functions. The ICAO's survey further revealed that 82% of its member states have regulators involved in operational tasks, increasing the risk of regulatory capture. However, 79% of these states have separate bodies for accident investigations, showcasing global best practices to enhance safety and accountability (ICAO, 2016, pp. 1-5).

Aligning with NPM principles, CAAP could adopt a decoupling strategy, separating regulatory oversight from service provision to reduce conflicts of interest and enhance public trust. ICAO's (2016) Universal Safety Oversight Audit Programme encourages transparency systems, aligned with Article 7(4) of the international treaty, the United Nations Convention Against Corruption of 2003 (UNCAC, 2021), to prevent conflicts of interest.

The ICAO has consistently advocated for the separation of regulatory oversight from service provision to enhance safety and mitigate conflicts of interest. ASEAN countries have largely adopted this approach, as shown in Table 2, ensuring that distinct entities handle regulatory, airport operations, and accident investigation functions. In Singapore, the Civil Aviation Authority of Singapore (CAAS) was

restructured in 2009, leading to the formation of Changi Airport Group (CAG) to manage airport operations and Transport Safety Investigation Bureau (TSIB) in 2016 for accident investigations. Similarly, Malaysia, Thailand, Vietnam, and Indonesia have established independent bodies for regulation, airport management, and accident investigations. These reforms have strengthened governance and enhanced aviation safety, as seen in Thailand's response to an ICAO safety downgrade in 2015 and Malaysia's management of 39 airports through Malaysia Airports Holdings Berhad (MAHB).

This structural separation model aligns with international best practices, including Ghana's aviation sector reforms, which also sought to enhance transparency and accountability. In Ghana, the decoupling of functions was driven by several key factors: the need to enable the Ghana Civil Aviation Authority (GCAA) to focus exclusively on its core regulatory mandate; the push to improve efficiency and the management of air service delivery; and the imperative to comply with established industry standards. As part of these reforms, the Ghana Airports Company Limited (GACL) was designated to plan, develop, manage, and maintain all airports and aerodromes nationwide. Meanwhile, the Aircraft Accident and Incident Investigation and Prevention Bureau (AAIB), operating under the Ministry of Aviation, serves as the independent body responsible for conducting aviation accident and incident investigations in Ghana (Sakyi & Azunu, 2013). The Philippines, currently debating amendments for a similar decoupling strategy, could benefit from adopting this approach. By establishing independent entities for regulation, airport operations, and accident investigations, CAAP could enhance credibility with ICAO and FAA, improve aviation safety, and strengthen public trust in the sector.

Table 2
CAAP's Logic Multiplicity

Country	Regulatory Functions	Airport Operations	Accident Investigation	Remarks
Singapore	Civil Aviation Authority of Singapore (2009)	Changi Airport Group (2009)	Changi Airport Group (2009)	Changi Airport was declared by SKYTRAX World Airport Awards as the world's best airport in 2006, 2010, and 2013-2020. (Skytrax, 2025) Changi Airport Group (CAG) income: 48% rentals & concessions, 39% airport services, 13% others Civil Aviation Authority of Singapore (CAAS) income: 50% airport rel. fees, 28% aviation levy, 22% others

Country	Regulatory Functions	Airport Operations	Accident Investigation	Remarks
Malaysia	Civil Aviation Authority of Malaysia (2018)	Malaysia Airports Holdings Berhad (1999)	Air Accident Investigation Bureau (2016)	MAHB is one of the largest airport operator groups in the world, in terms of the number of passengers handled, managing 39 airports across Malaysia and one international airport in Turkey. Malaysia Airports Holdings Berhad (MAHB) income: 78% airport services, 16% duty-free shops, 6% others. Malaysian Aviation Commission (MAVCOM) Rev. public service fund 88%, Regulatory Income: 12%
Thailand	Civil Aviation Authority of Thailand (CAAT, 2015)	Department of Airports (DOA, 2015) – 28 airports (1979 as Airport Authority of Thailand, went public as Airports of Thailand [AOT]in 2002) – 6 big airports	Aircraft Accident Investigation Committee of Thailand (1954)	The Department of Civil Aviation of Thailand was split into Civil Aviation Authority of Thailand (CAAT) and Department of Airports (DOA) in 2015 in response to the ICAO downgrading of the country's aviation safety rating. Airports of Thailand (AOT) was declared by Bloomberg in 2018 as the most valuable airport operator. AOT revenues: 56% aeronautical, 44% non-aeronautical. CAAT revenues: 97% fees, 3% others
Vietnam	Civil Aviation Authority of Vietnam (1993)	Viet Nam Air Traffic Management Corporation Ltd. (1993) Airports Corporation of Vietnam (2015)	Transport Safety Department under the Ministry of Transport	Airports Corporation of Vietnam (ACV) is operating under the parent company – subsidiaries model, managing 22 airports nationwide, 7of which are international airports. ACV's charter capital is 21,771,732,360,000 VND (Vietnam Dong), equivalent to 2,177,173,236 stocks with nominal value of 10,000VND/stock, in which the state holds 95.4% shares, other shareholders hold 4.6%. ACV revenues: 80% aviation services, 12% non-aviation services, 8% sale of goods.

Country	Regulatory Functions	Airport Operations	Accident Investigation	Remarks
Indonesia	Directorate General of Civil Aviation	Angkasa Pura I (1974) – eastern region's 15 airports Angkasa Pura II (1986) – western region's 20 airports	National Transportation Safety Committee (NTSC) (1999)	NTSC was put under the Office of the President in 2012. Angkasa Pura revenues: aeronautics – 58%, non-aeronautics – 42%.
Ghana	Ghana Civil Aviation Authority	Ghana Airports Company Limited (GACL)	Aircraft Accident & Investigation & Prevention Bureau	One key policy lesson that can be drawn from the GACL decoupling experience is the adoption of public and private partnership model, accountability and performance issues and benefits of new public management principles.
Philippines	Civil Aviation Authority of the Philippines (for amendment-pending bill-19th Congress)	Philippine Airports Authority (pending bill-19th Congress)	Philippine Transportation Safety Board (pending bill-18th Congress)	(author's additional info – if to consider decoupling strategy)

Source. Basilio and Villanueva (2023), "Conflicted Regulatory Environment in the Transportation Sector: The Cases of PPA and CAAP." Data culled from various Southeast Asian airports and transportation websites and Sakyi and Azunu (2013).

Key Legislative Reforms and the Path Forward

- House Bill No. 6774: Aims to strengthen CAAP's regulatory authority by amending the CAAP Act of 2008. The proposed changes include extending the Director General's term, exempting CAAP from restrictive laws, and enhancing fiscal autonomy. These reforms align with international best practices to boost regulatory effectiveness and attract skilled professionals.

- House Bill No. 7976 / Senate Bill No. 1073 (Philippine Airports Authority Act): Proposes the creation of a Philippine Airports Authority (PAA) to manage all international and domestic airports. This centralized approach seeks to streamline airport operations, reduce policy conflicts, and enhance efficiency within the aviation sector.

- House Bill No. 9030 / Senate Bill No. 1077: Despite being vetoed, this bill proposed the establishment of a National Transportation Safety Board (NTSB) for independent oversight of accident investigations. Following international examples, creating a non-regulatory agency dedicated to safety investigations could significantly improve aviation safety and compliance.

Conclusion

The evolution of aviation governance in the Philippines reflects the shifting mandates and institutional reforms that culminated in the creation of the Civil Aviation Authority of the Philippines under RA 9497 (2008). The CAAP was established largely through coercive isomorphism, as the country needed to align with International Civil Aviation Organization (ICAO) standards to maintain international credibility and avoid sanctions. At the same time, normative isomorphism shaped CAAP's efforts to professionalize its workforce, promoting adherence to global safety norms. Today, however, CAAP embodies multiple and often conflicting institutional logics, state control, market efficiency, professional standards, and public service, which have resulted in institutional complexity that undermines its effectiveness.

This complexity manifests in overlapping functions: CAAP simultaneously acts as regulator, operator, and investigator. Such concentration of roles leads to conflicting priorities that may compromise aviation safety, regulatory integrity, and organizational professionalism. Institutional analysis suggests that addressing these conflicts requires drawing on the lessons of other countries. Through mimetic isomorphism, emulating successful aviation governance models in Asia and beyond, CAAP can resolve these tensions by decoupling regulatory, operational, and investigative functions, thereby enhancing oversight, accountability, and public trust.

The need for reform is underscored by both historical and recent events. The 2008 ICAO downgrade was prompted by significant safety concerns related to certification processes, personnel training, record-keeping, and inspection systems. Although the Philippines regained Category 1 status in 2013, the 2023 NAIA CNS/ATM systems failure exposed persistent institutional weaknesses that remain unaddressed by existing legislative and structural reforms. CAAP conducted its own investigation, but its findings conflicted with those of the Senate's independent audit team, raising concerns about transparency and impartiality. Further inquiries by the Senate's independent audit team uncovered deeper systemic problems—poor system design, weak maintenance, lack of redundancy, gaps in personnel training and staffing, and the absence of a master contingency plan required by ICAO—which were not disclosed in CAAP's internal probe.

Moreover, ICAO best practices emphasize that air navigation services should operate autonomously from regulatory oversight to prevent conflicts of interest. ICAO has consistently recommended the separation of regulatory oversight from service provision to strengthen safety, transparency, and accountability in the aviation sector.

In this context, the following reforms are critical:

- Strengthening regulatory oversight through amendments to the CAAP Charter to address ICAO's findings on regulatory laws, insufficient technical expertise, and ineffective oversight.

Granting CAAP greater fiscal autonomy, leadership stability, and staffing flexibility will ensure sustained compliance with safety standards.

- Separating airport operations under the proposed Philippine Airports Authority Bill to remove CAAP's dual role as regulator and operator. This prevents operational demands from undermining regulatory focus and addresses ICAO's concern over compromised oversight.

- Establishing an independent safety investigation body through the Philippine Transportation Safety Board Bill, ensuring impartial and transparent investigations in line with global best practices and ICAO recommendations.

Taken together, these reforms directly confront the root causes of the 2008 downgrade and the systemic vulnerabilities revealed in 2023. They reduce conflicts of interest, strengthen institutional capacity, and embed accountability in aviation governance.

The strategic recommendations highlight the need for legislative reforms and functional separation to minimize institutional conflicts and align Philippine aviation governance with international standards. Drawing from best practices in Ghana and Southeast Asia, CAAP can enhance both operational efficiency and regulatory oversight. Prioritizing ICAO-aligned reforms will ensure sustained compliance, prevent future downgrades, and strengthen the Philippines' global credibility and competitiveness in the aviation sector. Ultimately, the proposed reforms are both corrective—addressing the structural weaknesses that led to the downgrade - and forward-looking, ensuring long-term adherence to ICAO's critical safety elements.

The legislative efforts to reform CAAP reflect a clear commitment to aligning Philippine aviation with global standards, thereby strengthening institutional legitimacy. However, the uncertainty surrounding these reforms, aptly described as "up in the air," highlights the need for swift, decisive action. Policymakers must prioritize streamlining regulatory frameworks and enhancing policy clarity to secure a safer and more efficient aviation sector. These reforms are crucial not only for safeguarding public safety but also for promoting sustainable growth and competitiveness in the aviation industry.

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Doreen R. Zules is a researcher at the Center for Policy and Executive Development (CPED) of the National College of Public Administration and Governance, University of the Philippines, Diliman (UP-NCPAG). She has contributed to studies on open government data governance, airport governance, higher education, regulatory reforms, and policy analysis. She holds a Master of Public Administration degree and a Diploma in Public Management major in Organization Studies from UP-NCPAG, as well as a Bachelor's degree in Tourism from the Polytechnic University of the Philippines. She can be reached at drzules@up.edu.ph.

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