



MGMT 447 – Airline Strategies

Corporate Social Responsibility in the Aviation Industry

for

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BRITISH AIRWAYS





The objective of this research paper is to describe “corporate social responsibility” with a focus on the airline industry. I will define the term “corporate social responsibility” at the beginning of the paper and then proceed to examples illustrating how this concept is applied in five different airlines. Among these airlines are Continental, American, Northwest, Delta, and British Airways. Information for illustrations were acquired through direct interviews of airline customer representatives using the phone and internet research. Concluding this paper will be a comparison of the airlines activities, followed by a scaling of the most to the least socially responsible airline and recommendations for the less responsible ones on how to improve their position. The final paragraph will illustrate my own opinion about corporate social responsibility based on my findings and background.

Brief Overview of Corporate Social Responsibility

Various terms are used for corporate social responsibility. Among these are corporate citizenship, corporate sustainability, corporate accountability, corporate governance, and business ethics¹. According to investopedia.com, CSR is defined as “The principle that businesses should contribute to the welfare of society and not be solely devoted to maximizing profits.” This definition means that the highest priority of management should not only be the maximization of profits but at the same time, and with the same consideration, the dedication to support the society in which they operate. If a corporation practices this ideology then it is implemented into many divisions, like

¹ MCH International Ltd., (n.d.). Corporate social responsibility definitions. retrieved Mar 28, 2004, from Glossary of terms Web site: <http://www.mhcinternational.com/glossary.htm>.





environmentally responsible operations, decision-making processes, places where businesses are conducted, and conscientious business partners. CSR has many benefits for organizations independent of industry. These benefits include improved financial performance, reduced operating costs, enhanced brand image and reputation, increased sales and customer loyalty, increased productivity and quality, increased ability to attract and retain employees, reduced regulatory oversight, and increased access to capital². The CSR idea is evolving constantly. Among the most recognizable changes are increased stakeholder involvement, creation of codes and guidelines, and the increasing transparency of financial reports. On a global basis, a trend of more government interest is recognizable. Leading are the countries in Europe.

In the following paragraphs I will describe the social efforts and programs of the previously mentioned airlines. Differences and similarities will be mentioned as well. I will start with Continental Airlines.

Continental Airlines

Continental is among my selection of airlines one of the best performers. It is socially active in many different departments. The corporate profile is divided into diversity and inclusion, awards, community service, and sponsorships. Diversity and inclusion describes Continentals emphasis on team-work and supplier diversity programs. Continental stresses on their website, that its employers are its most valuable assets. The company leads its success to the variety of cultures, ideas, lifestyles, and

² BSR - Business for Social Responsibility, (n.d.). Overview of corporate social responsibility. retrieved Mar 27, 2004, from Introduction Web site: <http://www.bsr.org/BSRResources/WhitePaperDetail.cfm?DocumentID=48809> .





experiences embodied by its workers. Management also uses many tools to include its personnel into the decision-making loop. This ensures that everybody is involved in the shaping process of Continental's future. Employees feel that their work and function in this airline is important. In its supplier diversity program, Continental contracts small and diverse suppliers to provide their services for them. Continental also tries to convince bigger suppliers to follow its example. These are some of the factors which led Forbes to honor Continental six times with the "Fortune 100 best companies to work for" award.

The awards section gives an overview of the countless rewards, which Continental earned for their excellent social behavior. The first section illustrates awards for their international service. Among them is, for instance, the "Best foreign-flag carrier to North America" award handed over by the Nikkei Business Magazine survey. The next section deals with awards for best service for business travelers, followed by recognitions received for providing a great workplace, management, and exceptional operations. The last mentioned section deals with awards collected for outstanding customer service and marketing.

In its community section, Continental tells the reader that it has always been dedicated to serve the community in which it operates. Continental supports countless charitable organizations all over the United States every year. Since the carrier is also affected by the downturn in the aviation industry, it informs that currently it is not possible for them to support charities the way they used to in the past and that they have to focus on their airline operations in order to be able to help in the future. This statement reflects the position of most of the other airlines. In examples of other airlines further in this paper we can observe similar situations.





The next section in their corporate profile is sponsorship. Here, the air carrier states that it not only lets its employees participate in various civic activities, but it also “takes a direct role in sponsoring specific community organizations in the arts, culture, sports, education, health and medicine”³. The main cities of activities are Cleveland, New York/Newark, and Houston.

An example from Houston deals with floods that happened in the summer of 2001. Continentals internal assistants program WE CARE received almost 1000 requests from the airlines employees. All in all, many of Continental’s 20,000 Houston workers were affected. The carrier donated \$250,000 to the United Way of the Texas Gulf Coast to help in flood recovery efforts⁴.

Through conversations with Continental representatives, I could only get confirmation of the described programs above. The employees seem to be very reluctant to answer my questions. They assured me that activities will grow back to levels practiced before September 11th, once revenues climb back into more “black” numbers and trends for the airline look positive in the future.

³ Continental Airlines, (n.d.). Continental airlines - sponsorships. retrieved Mar 28, 2004, from <http://www.continental.com/company/profile/sponsorships/default.asp>.

⁴ The Corporate Social Responsibility Newswire Service, (2001). Continental airlines donation assists victims of houston flood. retrieved Mar 27, 2004, from Press release from: Continental Airlines Web site: <http://www.csrwire.com/article.cgi/661.html>.





American Airlines

The first thing that caught my eye when I opened American's supplier diversity web site

was this great logo:



This image reflects the airlines' diversity approach. Americans come from so many different ethnic backgrounds; African, Asian, Hispanic, or Native, just to mention a view, but they have all one thing in common. They are Americans and American Airlines resembles all of them in its name and culture.

On its web site, American is presenting supplier diversity as their way of social contribution to society. This program is very similar to Continentals' activities, and as we will see later, also to other airlines. In their program, American wants to support minority, women-owned, and smaller businesses. The goal is to include them in American's activities and to create highest standard business relations. A sign of commitment to this program was shown by American in summer 2001 when it offered e-commerce training for women- and minority-owned suppliers. In this ways, American helped more than 140 individuals to expand their business plans into the direction of e-commerce through the internet.

A concrete example of America's involvement in the protection of the environment exists through its partnership with Earth Share. Earth Share consists of a federation of many nonprofit environmental and conservation organizations. American's "AirCare" program, which encompasses several other socially responsible projects, added the

⁵ American Airlines, (n.d.). American airlines supplier diversity. retrieved Mar 28, 2004, from <http://www.aa.com/content/aboutAA/supplierDiversity/main.jhtml>.





environmental organization to its employee workplace giving campaign⁶. Among other organization under the AirCare program are many other charities. American employees are encouraged to donate a small amount from their paycheck to the organization. Over 115,000 American Airlines workers rose this way over \$3 million.

Another example of Americans' concern about the environment was confirmed when it introduced solar-powered ground service equipment on major airports on April 19th, 2001⁷. The first one was El Paso International Airport, which is positioned in an area with air-quality problems. Solar powered fueling carts will be used in Dallas/Fort Worth and other hubs. Americans' Vice President of Safety, Security and Environment Tim Ahem stated that: "Through investments in solar, electric and other innovative technologies, American has made a clear commitment to the environment and the communities we serve through a balanced, sustainable approach to our business practices"⁸. Under an environmental standpoint and considering the tremendous amount of engagement in this direction, American can be viewed as a role-model.

Representatives in Americans' executive office hotline confirmed all activities that I mentioned earlier. There are no new big projects planned in the immediate future due to tighter budgets, but once the economy revives, more money will be invested into these kinds of programs.

⁶ The Corporate Social Responsibility Newswire Service, (2001). American airlines supports earthshare environmental programs worldwide. retrieved Mar 28, 2004, from Press release from: AMR Corporation Web site: <http://www.csrwire.com/article.cgi/662.html>.

⁷ The Corporate Social Responsibility Newswire Service, (2001). American airlines introduces solar-powered ground equipment. retrieved Mar 28, 2004, from Press release from: AMR Corporation Web site: <http://www.csrwire.com/article.cgi/645.html>.

⁸ The Corporate Social Responsibility Newswire Service, (2001). American airlines introduces solar-powered ground equipment. retrieved Mar 28, 2004, from Press release from: AMR Corporation Web site: <http://www.csrwire.com/article.cgi/645.html>.





Northwest Airlines

Northwest Airlines (NWA) is involved in many activities to promote corporate social responsibility. One of them is “AirCares”. “AirCares” is a charitable support program that was created in 1992, which is an example that CSR is a fairly new movement for this airline. It is aimed to improve the standard of living of the communities and their habitants that NWA serves. “AirCares” cooperates with 30 other non-profit associations in the US and Asia. The air carrier informs its passengers about these organizations on every flight. Information can also be found in their in-flight magazine “WorldTraveler”. Among the organizations partnering with “AirCares” are, for example, American Red Cross, the Dream Foundation, and the “Habitat for Humanity International”.

Another NWA association representing their involvement in CSR is “KidCares”. This organization provides free air travel for ill children. It is made possible by NWA and donations from NWAs’ frequent fliers, who donate their earned points, called “WorldPerks”. Children who are very sick and whose parents cannot afford to travel to distant places for treatment benefit from this program. NWAs’ website tells the story of David Bateman and his family. David was four months old when an illness in him was discovered. It could be treated but David would have had to travel to another town to see the doctor. David’s parents did not give up and, together with KidCares’ help, David can make big steps to complete recovery.

The employees at NWAs’ hotline were quite unfriendly. They gave me the impression that I was not welcome. Being asked only some easy questions, they replied me that they will not answer me any questions at the phone now and that I have to email





them. I did, but I never received an answer so far. All in all, NWAs' representative could not help me much.

Delta Airlines

Delta's community section is divided into supplier diversity, community involvement, sponsorship, and awards and recognition. This layout is very similar to Continental's website. Supplier diversity, as mentioned earlier, is a very popular program for airlines to have in order to show CSR. I think this phenomenon occurs because it does not cost the airlines too much money to enforce this idea, it is easy to setup up, and hard to trace by outside forces.

The community involvements section on Delta's web site depicts the three fundamentals on which all of their programs for the youth in this department are building on, namely wellness, leadership development, and cultural advocacy. Under wellness, Delta means to advance the health of the youth. This means that they help charities which deal with child diseases in their fight to enable every young person equal chances for their future. Leadership development activities help young people to develop self confidence, strong personalities, leadership, conflict solution, and team building skills. Programs dealing with cultural advocacy deal with different cultures and the people in the places Delta flies to. Delta donates over \$16 million every year to four organizations, namely the American Red Cross, CARE, Children's Miracle Network, and the Juvenile Diabetes Foundation, all of which help Delta to achieve their mission. Employee volunteer efforts are also part of Delta's cultural advocacy program. This is also enforced through the development of a community partner program. In this program volunteering





employees participate in either in “Habitat for Humanity” or “Legacy Ski and Ride” programs. In its cultural advocacy programs, Delta helped more than 300 communities to which it serves.

The “Delta Air Lines Foundation” was already established in 1968. This foundation donates over \$3 million annually to charities. However, Delta also states on their web site that for this year they are not accepting any new grant requests. I realized that many airlines post such notices. I think this reflects the difficult financial positions in which most airlines are these days.

Due to its countless activities and excellent service, Delta received many awards. Among the ones counting to their social programs is the American Red Cross Humanitarian award.

An example of Deltas dedication to be a corporation with a socially responsible character was demonstrated at our campus, more specifically at the Aviation College in Battle Creek on September 1st, 2001⁹. On this date, Western and Delta announced that the airline will support women and minorities in achieving their dream to become a pilot. The carrier donated \$1.65 million over a four year period. I personally know one participant of this program. Theresa came from Detroit and grew up in a lower-income district of that town. Her parents did not have the money to send her to college and definitely not to college attending one of the most expensive programs available, namely the flight science program. She told me that thanks to Delta she could realize her dream

⁹ The Corporate Social Responsibility Newswire Service, (2001). Press release from: delta air lines, inc. . retrieved Mar 29, 2004, from Delta, Western Michigan University Announce Program To Boost Number Of Women, Minority Pilots Web site: <http://www.csrwire.com/article.cgi/547.html>.





and become a certified pilot. She graduated recently with honors and is in my opinion a “living” example that corporate social responsible institutions do make a difference.

Deltas representatives were quite helpful and friendly on the phone. The workers at the corporate headquarters in Atlanta confirmed all my findings from their web site; however they could not tell me if there are any new programs planned. Similarities to other airlines exist there also when it comes to the current condition of the charity programs. Most funds were cut in the only slowly recovering economy, but they assured me that when more money will be available then also more activities will be performed.

British Airways

British Airways (BA) defines corporate social responsibility as “being a good neighbour, concerned for the community and environment”¹⁰. BAs’ mission is to further develop their social and environmental activities in order to help the communities to blossom to which they fly. Their social program is strengthened by the following criteria.

Sound corporate policies are effectively communicated to all employees. These policies are available on the company’s intranet. Employees are encouraged in these guidelines to “comply with environmental standards and procedures, notifying management and supervisors of potential hazards, avoiding needless wastage of energy and materials”¹¹.

¹⁰ British Airways, (n.d.). British airways - corporate responsibility. retrieved Mar 28, 2004, from Corporate Responsibility Web site: http://www.britishairways.com/travel/crhome/public/en_us.

¹¹ British Airways, (n.d.). (2003, 06 24). British airways social & environmental policy. Retrieved Mar 27, 2004, from http://www.britishairways.com/cms/masterEN/content/company_information/community_and_environmental/social_and_environment_policy.pdf





Robust management systems for social and environmental issues aim at ethical management practices. Safety boards manage environmental compliance. Departments receive support from a central environmental affairs team. This team also oversees corporate reporting. Next to this team are several other units in the management structure of British Airways, which facilitate communication and coordination between employees and maintain an ethical environment. Open and honest reporting is just one example.

Engagement with stakeholders is ensured through several publications. BA releases every year a "Social and Environmental" report in which it documents all of its activities and achievements. BA also communicates its environmental and social issues with its suppliers. The carrier tries to convince them, if it is necessary, to adopt their policies. This not only assures that BA is an environmental conscious company but so are also its associates.

BA's CSR principles can be observed in the following examples. Environmental issues reign at the top of the airlines' corporate social concerns and it is keen on improving its performance. In order to reduce engine noise and emissions, BA is keeping the average airplane-age low and adds fuel consumption reducing modifications. Due to these modifications, domestic CO2 emissions were cut to 16% of their 1998-2000 level. Expansion plans around Heathrow airport in London, which comprise severe noise problems for the residential public, are accompanied with increased community projects and resident involvement in that area.

Changes in the global climate are a major concern as well. BA is fully aware that its airplanes pollute the environment. Therefore, it is measuring air quality in local areas.





This helps BA to understand the effect of its operations on the immediate surrounding. According to BA, aircraft pollution accredits to 3.5% of the total warming caused by humans. The carrier believes that the best long term solution for this problem is through internal emissions trading. Cooperation with ICAO and IATA on this issue is in progress.

Dreamflight is the name of the charity that was created by BAs workers. This non-profit organization, which entered into existence in 1986, provides very ill children a free vacation to theme parks in Florida¹². Although BA supports the charity, it is solely operated by its employees. The first full flight, utilizing a Boeing 747, with 288 sick children and their adult helpers took off on November 1987. Although it was planned as a one-time idea, it evolved into an organization that till today helps children who do not have much time left to have a great time.

In the case of British Airlines Dreamflight charity, I was given a phone number in the United Kingdom. Out of this reason I did not conduct any interviews with the representatives of this organization. However, I still picked BA to be one of my chosen airlines because they have according to their web site an excellent attitude towards CRS. Everything is well documented and they are the only airline that publishes an annual social and environmental report, which describes their attitudes of the carrier, as well as activities during the past year. I think other airlines should take a look at BAs' domain and start implementing some changes in their behavior and on their own site.

¹² Dreamflight, (n.d.). retrieved Mar 28, 2004, from Dreamflight Web site:
<http://www.dreamflight.org/2001/pages/frameset.htm> .





Comparison of my five Airlines

Among my five Airlines it is very hard to determine who is the most or the least active in regard to CSR. I think that American, Delta, and Continental are very involved, but this could be also because I found more publications dealing with them than the other airlines. Delta's, Northwest's, Continental's, and also British Airway's web site were very detailed. On the other hand, American had almost no information on their site. All my information were found through additional research, with results found on other websites. Here American needs to improve tremendously.

Most airlines employ a supplier diversity program. Also, donations to various charities either from their own corporate accounts, the accounts of their employees, or through frequent-flyer miles of customers are a common technique. The formation of foundations and programs supporting charities is typical throughout my chosen airlines.

However, some airlines aim specifically and directly at certain groups of people and communities. I personally like this approach better because signs of their efforts can be observed and documented. These actions show a final outcome of the "investment". Reader in these communities can identify themselves with the actions taken, they know the area where they happen, and they sometimes even know the people affected. This leaves a remarkable impact on the community. Airlines which just donate money to charities also do a great job, but I have the feeling that they just push the responsibility to somebody else. Readers, employees, and donating customers do not see the results of their good will.





To my opinion, airlines which are immediately involved in charitable programs and which execute them themselves do the better job. Other airlines should get more involved and take more responsibility.

Nevertheless, I have to say that the airlines that I have chosen account to the view airlines on global basis which are involved in CSR activities. In my research, I looked at other airlines and discovered that view had any relevant information posted on their web sites. Many airlines did not have any information available in this direction at all. I would be happy to see in the future, when the economy revives, that more airlines get involved in being a socially responsible corporation.

Personally, I think that CSR is self-evident. Every company with a sufficient amount of revenues should be involved in this area. Shareholder value maximization should not be the only focus in their business plan. Companies are part of society. They are located in communities and their workers come from these communities. If an airline fires hundreds or even thousands of workers, as it was and still is the case, the community suffers. I realize that sometimes this is unavoidable if the company does not want to get bankrupt but I also think that sometimes management is cutting on the wrong edges. As discussed in class, I realize that high-level executives, for instance CEOs, receive such incredibly high salaries although the company is in trouble, but at the same time, as mentioned above, thousands of employees take wage cuts or lose their jobs. I do not think that this is fair and I think that everybody should help a company, especially the people who have a lot of money.

The “Golden Para-shoot” is another aspect of current corporate policies that I have trouble finding justification for. I understand that an employee, and a COE is also





“only” an employee like everybody else, should receive, for example, 3 months of salary after he/she got laid off so that person can find another job in that time. However, receiving millions of dollars, especially when this person led the firm into a bad financial condition, is not acceptable for me.

All in all, I would say that corporate social responsibility is taking shape, especially in the last two decades. The United States are one of the leading nations in the world who view this perception as important and also practice it. As mentioned earlier, the economy today is only slowly getting back into an upward trend and coming out of this recession slimmed down the airlines financials for socially responsible programs, but I am convinced that these activities will revive in the future.





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Dreamflight, (n.d.). retrieved Mar 28, 2004, from Dreamflight Web site:

<http://www.dreamflight.org/2001/pages/frameset.htm> .

Contact Information of my five Airlines

Continental Airlines

<http://www.continental.com/company/profile/diversity.asp>

Customer Care Contact Information: 1-800-WE CARE 2 (1-800-932-2732)

(713) 324-5000

American Airlines:

<http://aa.com/content/aboutAA/supplierDiversity/main.jhtml>

Executive Offices: 1-817-967-2000

Northwest Airlines

<http://www.nwa.com/corpinfo/aircares/>

<http://www.nwa.com/corpinfo/aircares/about/>

Air Cares Program - aircares@nwa.com

1-800-692-6955

(612) 726-2331

Delta Airlines

<http://www.delta.com/inside/index.jsp>

888-750-3284



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(404) 715-2600



British Airways

http://www.britishairways.com/travel/crhome/public/en_us

1-800-403-0882

(347) 418-4000

Dreamflight: +44 (0) 1494 792991



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