

Corporate Social Responsibility In The Airline Industry

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Chapter One

1.0 Introduction

The section will provide a brief background and an overview of corporate social responsibility. The problem discussion is highlighted to give a touch of the entire thesis. The problem discussion will give rise to the objectives and research questions.

1.1 Background

The introduction of social responsibility dates back to the 1880s when industrialization was taking place. The stakeholders during the early years discussed whether or not to accept social responsibility. The idea was advocated to have a different dimension than it was earlier thought of hence the need to ensure that companies gave back to the community. As a form of the company's ethics, the stakeholders included CSR in their calendar of events,

Corporate social responsibility refers to the initiatives that a business undertakes to take responsibility for its activities toward the community (Tai &Chuang, 2014). The responsibility is not a legal requirement, but it is a way of portraying a good image to the public. According to Adamsson and Johansson (2008), companies have carried out the function to improve their operations among the surrounding community and the entire world. The demand for CSR increases each year due to the nature of the company's operations. A recent factor is global warming, which has seen the demand for CSR grow(Diana, 2006).

1.2 Problem Statement

The airline industry contributes significantly to the economic growth of a country. There is an increased movement from one place to another. Due to convenience, people opt to use air transport to reach defined destinations. The nature of operations has led to the growing demand in the airline industry. A challenge develops in the form of competition, and as such, businesses have to develop short-term and long-term strategies to outsmart each other. The growth affects the surrounding community as much as it helps the customers to meet their needs. Therefore, the establishment of more and expansion of the existing industries has led to adverse effects both on the surrounding

community and the world. The effects of global warming create room for unpredictable climate and changes in weather conditions (Diana, 2006). Nature defines the kind of CSR activities done. Some business undertakes voluntary activities to ensure they perform their social responsibility, while others are forced by the governments to undertake CSR activities (Garriga&Mele, 2004).

Currently, in the field of business, many organizations perform corporate social responsibility activities. They undertake such functions not to comply with the legal framework but to ensure they maintain a good image in their operations. Therefore, there is a need to establish the contributions of CSR activities to the sustainability of the airline industry. The impact could have negative or positive results depending on the nature of the business activities. This research aims to identify the relationship between CSR activities on the sustainability of the airline business.

1.3 Objectives of the Research

1.3.1 Main Objective

The main objective is to analyze the extent to which the airline industries have been able to employ corporate social responsibility to ensure their sustainability.

1.3.2 Specific Objectives

1. Establish the relationship between the corporate social responsibility and sustainability of an organization.
2. Analyze the CSR activities that contribute to the performance of the airline business.
3. Establish the legal implication of CSR on the company
4. Analyze the effects of CSR on the community
5. Analyze the impact of CSR activities on existing and prospective customers.

1.4 Research Questions

The mentioned purpose of the research will result in the following questions that require answers upon completion of the research.

1. What is the relationship between corporate social responsibility and the sustainability of the airline business?
2. How do the CSR activities contribute to the performance of the company?
3. How do CSR activities affect the legal environment of the company?
4. What are the effects of CSR on the community?
5. How does CSR impact the customers?

1.5 Significance of the Study

Operating a business in a competitive environment, especially where there is no monopoly power, poses many challenges. The business needs to maximize the profits and, at the same time, ensure the quality and factors contributing to the performance are maintained. Different organizations have different priorities, but regarding performance, such priority is uniform. The need to give back to the community contributes significantly to the profits of the business; hence it has specific importance. The only way to give back to the community is by conducting CSR activities. The activities are broad depending on the nature of the operations of the business. The common one includes environmental practices, employment, and contribution to education programs. The study will help to identify the relationship of the various corporate social responsibility activities to the sustainability of the business. Additionally, the importance of CSR functions will be depicted in the research.

1.6 The Outlay of the Study

The study comprises five chapters with an elaborate explanation. The chapters are the introduction, literature review, research methodology, data analysis, and conclusion. Every chapter contributes to the research and helps to find a solution to the gap left. The introduction gives a brief description of what the research entails. It outlines the research objectives that give rise to the research questions. The literature review chapter involves the theoretical and literature framework of research done by other analysts. The research methodology will include a research design that will enable collect data from the target group. In the data analysis chapter, the information gathered by the identified research design is analyzed using the analysis tool, in this case, Microsoft Excel. Lastly, the conclusion page gives the summary of the recommendation and the conclusion derived from the research.

Chapter Two

2.0 Literature Review

2.1 Introduction

The theoretical framework gives a prudent beginning to the research. Therefore, the chapter reviewed the theoretical and empirical literature on environmental, social, and economic aspects of corporate social responsibility regarding sustainability. The chapter also defines the conceptual framework and the gap to be filled by the research. The literature review involves past completed studies by various researchers and tends to compare their results to help fill the gap identified in this study.

2.2 Theoretical Framework

According to Doan (2012), there are three aspects of corporate social responsibility depicted by organizations in recent and past decades. The aspects are broadly discussed by authors who are trying to identify the relationship between CSR and sustainability in business. The three aspects have subsets that define them from different perspectives depending on the nature of the business conducted.

2.2.1 The Environmental Aspect

The airline industry includes machines that are air pollutants and make a loud noise that is harmful to human beings. They have contributed to climate change, and forecasting has become a major deal. The researcher uses the DEMATEL method to identify the implementation of CSR in the airline industry. The method also incorporates the use of questionnaires which is fundamental in the analysis (Chang, Chen, Hsu, & Hu, 2015). The research covers a wide area of European countries; hence a vulnerable report is delivered. According to the study, the environmental factors instituted by the airline industry are perilous to human life (Chang et al., 2015). Therefore, the European community is a step to ensure the reduction of the problem. The European Union advocates for a favorable environment and has put pressure on many organizations to institute measures that aim to maintain the standards of the environment.

The proof of the reduction of the carbon dioxide emitted is clear evidence that the IATA and other stakeholders are headed toward achieving the vision of 2020 (Chang et al., 2015). The vision is about achieving carbon-neutral growth, especially in the airline industry. Due to the mentioned reason, the industry started implementing corporate social responsibility, a responsibility that the stakeholders undertake to ensure that the community does not live in a polluted environment (Chang et al., 2015). Global warming is one of the environmental aspects that impact climate change in many parts of the world. It is a result of emitting acidic substances into the air that affect the ozone layer (Chang et al., 2015). The research indicates that some of the world airlines, especially the ones in Asia, do not have adequate CSR strategies.

The DEMATEL method is used to establish the relationship among the CSR issues hence providing a clear vision in devising strategies (Chang et al., 2015).

2.2.2 Social Aspect

After the incorporation of a business, the business is good to start its operations. The major challenge depends on how to conduct the operations. The constitution of the business must indicate the main object clause as the other objectives follow. In the constitution, the element of CSR is evidenced by the express subsets outlined. The business, through management, has a mandate to fulfill its social

responsibility. Social factors are important when it comes to the sustainability of the business. The airline industry has a wide customer base and occupies a large area in the country (McWilliams, Siegel, & Teoh, 1999). Factors such as education, purchasing habits, and religion will require the business to observe them. Therefore, after the establishment of the business, it is important to give back to the community.

Education: – This is a pillar of the community. The level of education requires cooperation from stakeholders and support to ensure that every individual receives a quality education. Various organizations have developed different ways of giving back to the community (Garriga & Mele, 2004). The programs aim at sponsoring the children to study and even further their studies to manage themselves at a later date in life. Institutions such as Barclays bank have developed programs that help graduates to further their studies and even provide internship opportunities for the graduates (Garriga & Mele, 2004). Equity Bank of Kenya has a program known as Wings to Fly that enables pupils to study through secondary education up to the university level.

Health: – Organizations have taken corporate social responsibility to another level. They have collaborated with medical institutions and contributed highly to the health of individuals. Insurance cover is one of the products of CSR that helps the surrounding community to meet their health expenses (Garriga & Mele, 2004). Therefore, it is possible to ensure that the community engages in healthy functions to enable them to have a proper health status.

Purchasing Habit: – A business is a going concern that has to ensure that the forces of demand and supply are met. Therefore, it is important to ensure that before any production, there is sufficient demand for the produce (McWilliams, Siegel, & Teoh, 1999). The business has a mandate of establishing a good relationship with the community since that is the direct target of the produce. Regarding the airline business, the management has to ensure that it is responsible for the purchase and sale of its services. One of the ways of keeping a good customer track is by ensuring that the business incorporates the CSR activities in its operations (Garriga & Mele, 2004).

2.2.3 Economic Aspect

An economy depends on the forces of supply and demand. CSR impacts the forces hence enabling them to shift upwards or downwards. It all depends on the stakeholders within a specific market that will ensure that the demand and supply are at equilibrium. A company with CSR activities is more likely to attract a large number of people. It means that once they promote their products and services then they are open to an elastic demand.

2.3 Ethical Framework

Every organization operates on an ethical framework provided by the constitution of the company and the government of a nation. It is a requirement that all businesses operate under ethical guidelines. In

most cases, the guidelines are informed by the code of conduct (Lee & Park, 2010). An example is a code outlined by Emirates Airlines that gives the airline a commitment to provide quality services to its customers. It means that it has to uphold human rights. It also excludes itself from operating in illegal businesses that will tarnish its name. The airline must operate within the outlined framework that will increase its customer base and, hence, sustain its operations (Doan, 2012). The activities must be of goodwill to the surrounding community. Therefore, as part of better performance, CSR activities are important because they tend to instill a sense of trust in society.

2.4 Airlines

The common airlines that I consider in my research are Continental, Delta, and American Airlines. They all apply the concept of CSR for various reasons. In most cases, the application is voluntary and not enforced by any laws. The airlines focus on profit maximization, and the only way is to seal any loophole that may be a reason for failure.

2.4.1 Continental Airlines

The airline is one of the largest airlines in the world, with operations on almost all continents. The airline has distinct services that directly relate to cargo and passengers. It is socially responsible to the surrounding community and the world at large. It has contributed to the growth of the economy in the countries it operates. The airline allows the employees to participate in civic activities that aim at strengthening the bond between the company and the outside world.

Evidence of corporate social responsibility is where the company participated by contributing to the victims of the Houston floods. The Texas Gulf Coast received a donation from the airline. The amount donated was \$250,000 to assist the affected people with the provision of shelter, food, and clothing. In other words, it was to help in flood recovery efforts. The airline participates in ensuring that the environmental factors are taken care of (Zink, 2005). It also engages in maintaining its image with the community. It organizes sponsorship programs, which are significant when it comes to performance. The sponsorship programs target the arts, culture, sports, education, and the health of the people. The programs help the community to get basics that could not be affordable to some individuals.

2.4.2 American Airlines

The American airline has the best logo that is different from the other carriers. It is evidence of the diversity upheld by the company's operations. The logo appears to incorporate all the qualities of a company that does not discriminate against any group of people. It appears as below;

Regarding the economic aspect, American Airlines supports smaller businesses. It supports minority and women-owned businesses with the aim of developing such businesses into large corporations.

The support is part of the social responsibility it has in its operations. It is evidenced that the company offered e-commerce training for women and minority-owned suppliers. The training took place during the summer of 2001. The undertaking saw more than 140 businesses expand their operations and enhance their plans and customer base through the Internet.

The partnership of American Airlines with Earth Share is evidence of its commitment to participating in protecting the environment (Epstein, 1987). The composition of Earth share is majorly non-profit and conservation organizations whose aim is the protection of the environment. The Air Care program is a program devised by Earth Share to encompass social projects. Therefore, the companies encourage their employees to contribute to the program, which has seen the success be a reality over time.

The Airline introduced solar-powered ground service equipment. The equipment was proof of its efforts toward maintaining the environment. The air quality problems experienced at El Paso International Airport had a solution through the installation of the equipment. The installation is an accompaniment to the efforts made in the technological world that comes with its attribute (Luo & Bhattacharya, 2006). It was a step that marked the change in the airline industry amidst its efforts to save the environment.

2.4.2 Delta Airlines

Delta has different sections that have different roles regarding the operations of the company. Supplier diversity, community involvement, and sponsorship are some of the subsections found in the community division. The departmental layout is the same as that in the other airlines, especially the continental airlines. The airline depicts its roles toward the community and aims to develop leadership and advocate for cultural observation (Lindgreen & Swaen, 2010). The airlines collaborate with health facilities and contribute to charities to ensure the wellness of the youth. They ensure that the expenses and requirements for the fight against childhood diseases are prioritized to ensure that they have a good future.

The company strongly advocates for better leadership, and its responsibility on the forum ensures that the youth have self-confidence, personalities, and other leadership skills.

The Red Cross receives a hand from the airline, and so do CARE and Juvenile Diabetes Foundation. Delta has a program that helps to capture cultural diversity and hence donates more than \$16 million every financial year. This is partly depicted in the mission statement; hence, conducting such an exercise drives Delta toward achieving its mission (Parket & Eilbirt, 1975). Programs such as "Habitat for Humanity" and "Legacy Ski and Ride" require the participation of the employees. Therefore, most Delta employees volunteer to be part of the programs that advocate for culture. More than \$3 million is donated on an annual basis towards charity through the Delta Air Line Foundation. The foundation has been 59 years since its establishment and has helped serve more than 300 communities.

2.4 Arguments for Corporate Social Responsibility

CSR is an activity that, if undertaken by the airline, will help maintain a good relationship with the customers and the surrounding environment. Therefore, the action maintains the customers and encourages them to participate. The performance of the company relies on the CSR activities undertaken. If the company reaches out to the public, then it ends up attracting more customers. The outcome will be an improved performance (Chang, Chen, Hsu, & Hu, 2015). The operating costs will sometimes be reduced through vigorous CSR activities. Costs such as advertising will not be necessary since the customer base is built through CSR undertakings.

The brand reputation is given priority as awareness is factored in. As a result, the sales increase, meaning that the company makes super-normal profits. Customer loyalty becomes key due to the reputation of the company, and more get attracted to the airline. Similar to customers, when the company has a good reputation, there will be reduced staff turnover since no employee would think of leaving the company.

The benefits of corporate social responsibility also form the basis of the company's existence. The needs of the companies will result in conducting different CSR to improve performance.

Chapter Three

Research Design And Methodology

3.1 Introduction

This chapter covers the research design and the methodology of the study consisting of research design, target population, sampling procedures and designs, research instruments, data collection procedures, validity and reliability of the research instruments, and data analysis methods.

3.2 Study Design

A research design is defined as the overall conception of the study that consists of descriptions of concepts, variables, and clusters, the relationship proportions, and the methods of data collection and data analysis (Mugenda and Mugenda, 2008). According to Trochim, 2006, a research design will effectively work as a systematic plan where there is a study framework, the researcher's method of compilation details on the way the study realizes its conclusion and an outline of the study's limitations.

This research will use a cross-sectional design to carry out the study. According to Babble, 1973, a cross-sectional survey design is suited to gathering information from a population. A population is any

set of persons or objects that consists of one common feature (Bash and Hater, 1980). This design is the most suited for this study since the phenomena sought are not directly seen by the researcher. Further, it allows the researcher to have an in-depth analysis and response by exploring the past, observing the present, and predicting the future possibilities that will vividly bring a clear understanding of the phenomena sought.

3.3 Target Population

The target population comprises all employees or items that conform to the sought characteristics (Mugenda and Mugenda, 1999). This classification of the population will ensure that the study is carried out to produce accurate results and to ensure that the different kinds of classification are represented in the study.

The population of interest comprises individuals who perform CSR services in the three airlines in this study. This consists of all the individuals in these firms who benefit from corporate social responsibility as employees or facilitators

3.4 Sampling Procedure and Design

Sampling has been defined as a process of selecting a number of individuals for a study in a number individuals for a study in a manner that represents an entire group in which they are gotten (Bryman 2008). The extent to which the sample size is represented will be used as a major criterion in deciding on the right sample size for this study.

Stratified random sampling will be used because of benefits such as being suitable in a heterogeneous population and limited business results; efficiency is gained through stratification by creating relatively homogeneous strata; the greater the correlation between the stratifying variable and factor under study, the more efficient stratified sampling will be. Stratified random sampling is used extensively for continuous research activities where the researcher has a sound knowledge of the population and the basic strata that comprise it (Saunders et al., 2007). The sample size will be proportionate to the entire population, with a target of 30% of the population.

Further simple random sampling will be chosen among the individuals so as to help the researcher to allocate the objects equal opportunities to being sampled (Bryman 2008). In this study, the target population will be divided into three strata in line with the three airlines in the study. The sampling point will be the CSR departments in these three airlines. A sample will be 483 respondents, representing 30% of the total population of the three airlines' CSR departments. These computations are executed within a 95% confidence level and an error margin of 5%

Table 3.1 Target Population

Category/Company	Sample Frequency	Percentages
Continental Airline	30%	161
American Airline	30%	161
Delta Airline	30%	161
Totals		483

Source: Author (2018)

The employees to be contacted will be identified as follows in a 1:2:3 ratio representing top-level management, heads of departments and supervisors, and lower-level employees, respectively.

Table 3.2 Sample Distribution

Category	Frequency	Percentage	Sample size
Top Management	161	16.6%	27
Heads of departments	161	33%	53
Other employees	161	50%	81
Totals	161	100%	161

Source: Author (2018)

3.5 Data Collection Instruments and Procedure

This research will use questionnaires, focus group discussions, and interviews as the main tools for collecting data in this study. In most of the arrears, the questionnaires will be used to collect data that is less complicated, and that can be easily sourced by the respondents with minimum guidance from the interviewer. More sensitive, complex, and unique data will be collected using one-on-one interviews with the respondents.

These tools will focus on finding the information needed to be embedded in respondents' views, opinions, perceptions, feelings, and attitudes. These tools will be presented in the form of blanks, where questionnaires will be respondents' self-monitored blanks, and interviews will be guided by blanks filled by the interview.

Focus group discussions will help the researcher access more complex and general information that requires reframing and confirmation by many individuals and the courage of the respondents.

The selection of this tool will be based on the nature of the type of information needed, accuracy level, availability of the respondents, time allocated, the objective of that piece of information, and the characteristics of the respondents.

3.5.1 The Questionnaires

The researcher will extremely administer questionnaires in two major formats as self-directed and interviewer directed. The questionnaires are a widely preferred tool for this study because they will enable the researcher to see the views of large respondents within a shorter time and are easy to prepare and administer. These questionnaires will be open-ended and closed-ended in nature. The open-ended questionnaires will be used to collect qualitative data that require more explanation and details, while close-ended questionnaires will be used to collect data that consist of a standardized format. These questionnaires will be personally distributed and adopted by e-mail. The data collection exercise will take a period of one month.

3.5.2 The interview

The interviews in this study will be used to collect first-hand information that is most preferred since it is free from ambiguity. These interviews will be in the form of structured and semi-structured implemented in the personal interview method so that the person about the CSR of the respondents can be received.

3.5.3 Focus Group Discussion

It is most advantageous for the interviewer to collect data in homogeneous groups since these groups offer high-quality information (Patton 1990). Therefore, the focus will be most appropriate since the subject will be homogeneous in the three airlines. The structured checklist will be used as a guiding tool for each of the groups identified. This will help the researcher to have good control of quality and time.

3.6 Validity of the Research Instruments

According to Mugenda and Mugenda, 2002, validity is the accuracy and meaningfulness of inferences that are based on the research, results, and the degree to which the results obtained from the analysis of data actually represent the phenomenon under study. The validity may also refer to how suitable the instrument is in meeting the objective of accuracy in measurements. The researcher assessed the relevance of the contents in the questionnaires and ascertained that they were incorporated to improve the validity of the questionnaires.

3.7 Reliability of the Research Instruments

The reliability of a tool refers to the consistency and usefulness of the instrument in meeting the objective intended. For the researcher to accomplish this requirement, the reliability of this instrument will be checked through a pre-test of the questionnaire in a pilot study to ascertain their effectiveness in soliciting information intended. The researcher will test these methods in order to test the reliability of these research instruments. These research instruments will be retested in a sample of ten respondents who will represent the three major Airlines. The fact that the respondents who will complete these instruments will express their views required by this research will then prove their liability of these instruments for the purpose of this study.

3.8 Piloting of the instruments

The pilot study will be conducted on the three Airlines involving each Airline. According to Babbie (2003), the research instruments may be pre-tested on a sample of ten respondents who do not have to be representative of the population targeted. The information received will be used to justify the reliability of the questionnaires and update the contents where necessary.

3.9 Data collection procedures

Before proceeding to conduct the study, the researcher will obtain the introduction letter from the Institution to enable her to get a permit from the relevant authorities. The research centers will be contacted prior to the study for formal authority from the management.

3.10 Operational definition of variables

This study will consider two major variables in research. Namely, the independent and dependent variables to present its research concept. The dependent variables of this study will be market performance, health education, and global warming, while the independent variable will be the sustainability of Airline services.

3.11 Data Analysis Techniques

Data analysis is defined as examining collected data from the respondents and making deductions and inferences. This activity involves unearthing the underlying structures, extracting variables, detecting anomalies, and examining any hidden assumptions. The researcher will crosscheck responses to facilitate coding and processing for analysis. Quantitative research involves coding results into categorical variables followed by the application of a method of analysis (Kombo and Tromp, 2006).

The findings of the study will be analyzed using the content analysis method (Mugenda and Mugenda, 2002), which is defined as a systematic qualitative description of the objectives of the study (categorical variables) and determining the intensity with which certain themes have been used. This details the description of the items that comprise the sample.

The results will be interpreted using the frequency with which the items appeared as a measure of importance, attention, or emphasis. The specific classification system to record the information for this research will be designated into content analysis which explains the frequency and trends on which the concept is based.

The results will then be interpreted as a measure of direction regarding objectives. The data will be tabulated and presented on tables to give a visual display of individual units about which descriptive and explanatory statements will be made from the sampled items.

3.12 Summary of Research Methodology

Analysis of collected data will be done through a content analysis involving frequencies, percentages, tabulated data, and presenting them on tables. The target population consisted of airline officials in the CSR departments in Continental, America, and Delta Airlines.

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