

Cost Benefit Analysis and Adjustments of Corporate Social Responsibility in the Airline Industry

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Abstract : The decision-making processes in Corporate Social Responsibility (CSR) among firms in general and airlines in particular have to do with the benefits that accrue through those investments. The crux of the matter is not whether to invest in CSR or not, but rather, how firms can quantify the benefits derived from such investments. This paper analyzes the cost benefit adjustment strategies for firms in the airline industry in their CSR strategy adoption and implementation. The adjustment strategies identified will enable firms in the airline industry to have a basis for determining the worth of such CSR investments. This paper discusses the cost and benefit analysis model in order to understand the ways airlines can reduce costs and increase returns on CSR, or balance the cost and benefits. The analysis from this study points to the fact that economic concepts especially the CBA are useful, though they are not without challenges. The challenge arises when it is problematic to express the real impact of the externality in monetary terms. The use of rational maximization of the gains may seem to be a rather optimistic goal mainly because of environmental variability, perceptual uncertainty, and imperfect knowledge about the potential externality. This paper concludes that the CBA model gives a basic understanding of the motivations for investing in intangible assets like CSR. Consequently, it sets the tone for formulating relevant hypothesis in empirical studies in investment in CSR in particular and other intangible assets in business operations.

Keywords : cost-benefit analysis, corporate social responsibility, airline industry

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