

Saimaa University of Applied Sciences
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APPLICATION OF CSR PROGRAMS IN THE AIR- LINE INDUSTRY

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ABSTRACT

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Application of CSR Programs in the Airline Industry, 87 pages, 8 appendices

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The subject of this thesis was to analyze the global airline business environment and corporate social responsibility (CSR) program implementations of some well-known airlines. The research has been conducted with the assumption that corporate social responsibility theory is valid. Our purpose was to give the reader and overall impression of airline industry in general, CSR theory and its most important elements.

The work is divided into two distinct parts; theory and practical analysis of CSR reports of chosen airlines. In the theory part, the reader will gain basic understanding of CSR and stakeholder theory, general information over airline industry and strategic benefits gained through applying CSR programs. The practical part includes a qualitative analysis and deals with practical application of the elements discussed in the theory. It also provides an overview of the application of CSR programs of eight major airlines that provide a global perspective. These airlines are Air France-KLM, All Nippon Airways, American Airlines, British Airways, Cathay Pacific, Delta Air Lines, Lufthansa and Qantas. Based on the theory and airline overviews, the most important CSR elements were discussed. Moreover, the appropriate structure and style of these CSR program presentations were discussed.

As a result of this thesis it can be concluded that due to the increased importance and media coverage of environmental issues, airlines are faced with increasing pressure to implement actions that will contribute to sustainable business, even though the actual environmental impact of airline industry remains relatively low. Although environmental, economical and social concerns have increased, environmental issues gain the most attention. It became obvious that due to cost and confidentiality issues many airlines are struggling to implement any kind of CSR programs.

Key words: corporate social responsibility, sustainability, airlines, stakeholder theory, competitive advantage, CSR programs, airline industry

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Tämän opinnäytön tarkoitus oli tarkastella lentoyhtiöiden yhteiskuntavastuuta, ja sitä miten tunnetut lentoyhtiöt suhtautuvat siihen kuuluvien asioiden toteuttamiseen. Opinnäytetyö tehtiin sillä olettamalla että yhteiskuntavastuu teoriaa voidaan pitää varteenotettavana osana talousteoriaa. Tarkoituksena oli antaa lukijalle hyvä kuva yhteiskuntavastuu teoriasta ja sen tärkeimmistä elementeistä, sekä lentoliikenteen tilasta ja tulevaisuudesta,

Opinnäytetyö on jaettu kahteen eri osaa; teoriaan ja käytännön analyysiin lentoyhtiöiden yhteiskuntavastuuohjelmista. Teoria osa antaa lukijalle käsityksen yhteiskuntavastuuasioista, stakeholder-teoriasta, lentoliikenteen tilasta ja yhteiskuntavastuuohjelmien strategisesta edusta. Käytännön osa on kvalitatiivinen analyysi valittujen lentoyhtiöiden yhteiskuntavastuuohjelmista. Työhön valitut lentoyhtiöt ovat Air France-KLM, All Nippon Airways, American Airlines, British Airways, Cathay Pacific, Delta Air Lines, Lufthansa ja Qantas. Tärkeimmät yhteiskuntavastuun elementit olivat myös keskustelun aiheena.

Opinnäytön perusteella voidaan todeta että sosiaalisten, taloudellisten ja ympäristöongelmien julkisoinnin lisääntyminen on johtanut sellaiseen tilanteeseen, että lentoyhtiöiden täytyy kiinnittää yhteiskuntavastuuseen enemmän huomiota kuin aiemmin. Erityisesti pääpaino on ympäristöasioilla. Opinnäytetyötä tehdessä tuli myös selväksi että monet lentoyhtiöt eivät vielä otta yhteiskuntavastuuasioita vakavasti lähinnä taloudellisista syistä, ja siksi että eivät halua paljastaa kaikkia toimintaan liittyviä rasituksia, kuten esimerkiksi ympäristön saastuttamista koskevia tietoja.

Hakusanat: corporate social responsibility, sustainability, airlines, stakeholder theory, competitive advantage, CSR programs, airline industry

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1 INTRODUCTION

We chose this topic because of the increasing importance of corporate social responsibility in business, more specifically in airline industry. What makes the application CSR programs in airline industry a particularly interesting topic to research is the highly competitive and pollutive nature of the industry. This competitive market has been caused by the price sensitivity of customers, and their desire to get good service at a decent price, as well as by the saturated nature of supply market due to multiple operators. In order to compete in the market, companies have to be cost efficient while providing best possible service. This, however, is difficult due to high operating costs which influence the whole industry.

We consider CSR to be a vital part of any contemporary business strategy. In our mind focusing on CSR can provide airlines with both operational efficiency, as well as image benefits. People are becoming more aware of the social and environmental effects of their consuming habits, hence it be projected that innovative and responsible companies will continue to do well in the future, as their actions affect the purchasing behavior of customers.

The purpose of this study is to provide an overview of CSR, discuss whether or not CSR could be considered beneficial, to uncover the extent to which chosen airlines are implementing their CSR programs. This study will be divided into two distinct parts. The theory (chapters 2-6) will provide an overlook of CSR and airline industry. It will answer the questions of how to define CSR, what the overall situation of the airline industry is, which stakeholders are important for airlines, which actions airlines should take regarding CSR issues and how CSR can be incorporated into the business strategy. The practical part (chapter 7, appendices 1-8) includes analysis and overview of CSR programs of the chosen airlines, and give suggestions of how and what to communicate.

We have chosen a qualitative research method using books and articles in the theoretical part, whereas materials used in the practical part were airlines' web sites and downloadable CSR program presentations. No external material was used in the study because its main purpose was not to unveil discrepancies between companies' reporting and actual behavior.

The airlines chosen include those whose CSR programs we considered visible, comprehensive and well communicated in their marketing. We chose airlines which we believe could give an appropriate representation of the global market. These airlines are Air France-KLM, All Nippon Airways, American Airlines, British Airways, Cathay Pacific, Delta, Lufthansa and Qantas.

This thesis was conducted as pair-work and focused on the issues with the point of view that CSR and environmental issues are important and it is beneficial for airlines to focus on CSR and sustainability issues. During our study we were focusing on passenger airlines because passengers are more easily affected by environmental issues and sustainable business practices. Including cargo in our thesis would have made the topic too wide.

2 CORPORATE SOCIAL RESPONSIBILITY

2.1 History of CSR

Defining and classifying the history of CSR is rather complicated due to a widely ranging history. In the following paragraph the focus point is therefore rather the milestones of CSR than the whole and broad history of it. Starting in the eighteenth century, economist Adam Smith took a first step into the direction of CSR as we know it today. He defined it as needs and desires of a society that could be met best by the discretionary interaction of individuals and corporations in the marketplace. But, due to the industrial revolution, several of his initial thoughts changed

based on innovations especially in the technology sector. Services and products could be produced more efficiently and during the following years salary upgrades as well as single powerful organizations appeared and changed the initial form of CSR. Hence, a philosophy called 'Social Darwinism' emerged which compiles the idea of natural selection and survival of the fittest in business culture. On a downturn the impact of company's success strategies had little space for concerns about employees, the community and the larger society. Single businesses had become too powerful (Barnett 2009).

As a consequence laws and regulations to protect consumers, employees and the society as a large were enacted at the beginning of the twentieth century. Business society was slowly emerging towards responsible actions regarding the working class and the poor. Anticompetitive practices were banned through the Sherman Antitrust Act. Between 1900 and 1960 overall business practices started to accept additional responsibilities besides making profit and obeying the law. Due to the change from state-owned corporations to privately owned businesses, the need to connect manager and shareholder incentives became a focal point. By identifying institutions, markets and governance structures profitable relationships between managers and shareholders were built (Banerjee 2007, p. 15). These relationships had a beneficial impact on the overall business operations but should not be looked at as an overall solution for a better functioning of a corporation.

Following in the 1960s and 1970s civil rights movement, consumerism as well as environmentalism had a broad impact on CSR. Great power brings great responsibility was the overall notion of society which pressured big corporations into more CSR actions. Legal mandates on employee equality, product safety, worker safety and the environment were placed and greater expectations of society had a great impact on CSR (Barnett 2009).

Today's CSR actions are still based on Adam Smith's traditional and classical model of business but companies are expected to do voluntary actions that sur-

pass legal and economic responsibilities rather than just doing what is needed as an addition (Ibid.).

2.2 Definition of corporate social responsibility

Corporate social responsibility is an ideological theory that a business organization can be considered to be a “social entity” and thus has responsibilities towards the society at large in similar fashion as governments and individuals. CSR is most commonly defined as "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll and Buchholtz 2003, p. 36). The concept of CSR indicates businesses have moral, ethical and philanthropic obligations in addition to their normal roles of bringing in profits and complying with law.

Several economists, however, have advocated that business executives only have a responsibility towards the owners of the business, or its shareholders. One of these economists is Milton Friedman (1970) who, in his article for the New York Times, argued that in a free-market system, corporate executives are the employees of the business owners and therefore bear responsibility to act according to their employers' wishes. Friedman stated that executives' main responsibility is to “...conduct the business in accordance with their [employers'] desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom” (Friedman 1970). He argued that a corporation's overriding goal should be to maximize profits, as this would lead to maximum investor returns, and ultimately benefit the company as a whole.

Herbert Simon (1997), however, disagreed with the idea of profit maximization and argued strongly, that at best, companies could reach satisfactory profit targets. He contends that executives must respond to a number of other objectives, factors

and constraints, and must do so in the context of what he called “bounded rationality”. This means that executives have a variety of decisions to make, but only a limited amount of time and resources available, and therefore could not satisfy every business objective adequately. Focusing only on maximizing profits would therefore lead to neglecting other objectives (Simon 1997, pp. 279-284).

In any case, most corporate social responsibility proponents and economic theorists agree that the number one responsibility of a business is, firstly, to its shareholders, and then to other constituents.

Discussing the topic, a close correlation of the definitions Corporate Social Responsibility, Corporate Responsibility and Sustainability appeared. In this thesis the former mentioned definitions will be used interchangeably, incorporating economical, social and environmental elements. However, the main focus points are social and environmental responsibilities.

2.3 Aspects of CSR

2.3.1 Carroll’s CSR pyramid

Carroll’s four-part definition of CSR describes its multi-faceted nature. He created a hierarchical structure of the four aspects that describes these responsibilities in order of importance. This structure is presented below.

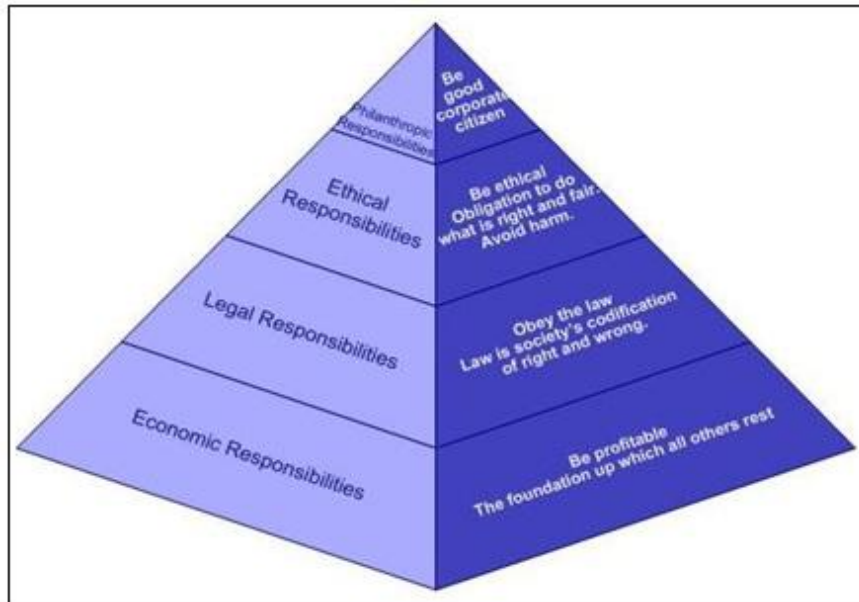


Figure 2.1 Carroll's CSR pyramid (CSR Quest 2010)

As can be seen in the figure above, a company's primary concern is economic responsibility, which refers to society's expectation that organizations will produce goods and services that are needed and desired by customers and sell those goods and services at a reasonable price, thus creating profit. The legal responsibilities relate to the expectation that corporations will comply with the laws set by the society to control competition in the marketplace. Ethical responsibilities concern societal considerations that go beyond legal requirements, such as the expectations that corporations conduct their affairs fairly and in just manner. Finally the philanthropic or discretionary responsibilities refer to society's expectations that companies should be good citizens and actively participating in philanthropic programs and supporting their communities (Carroll and Buchholtz 2003, pp. 40-47).

2.3.2 Triple bottom line

Another commonly used model for describing corporate responsibilities is the "triple bottom line", or "TBL", introduced by John Elkington in 1994. He argued that in the modern business environment, sustainable corporate profit and growth does not result from single-minded pursuit of financial gain, but is rather best achieved

by working through a broad framework of economic, social and environmental objectives. A positive triple bottom line reflects an increase in company's value, including both its profitability and shareholder value, and its social, human, and environmental capital (Henriques and Richardson 2004, pp. 29-32). This research paper discusses CSR issues through these three aspects; economic, environment and social.

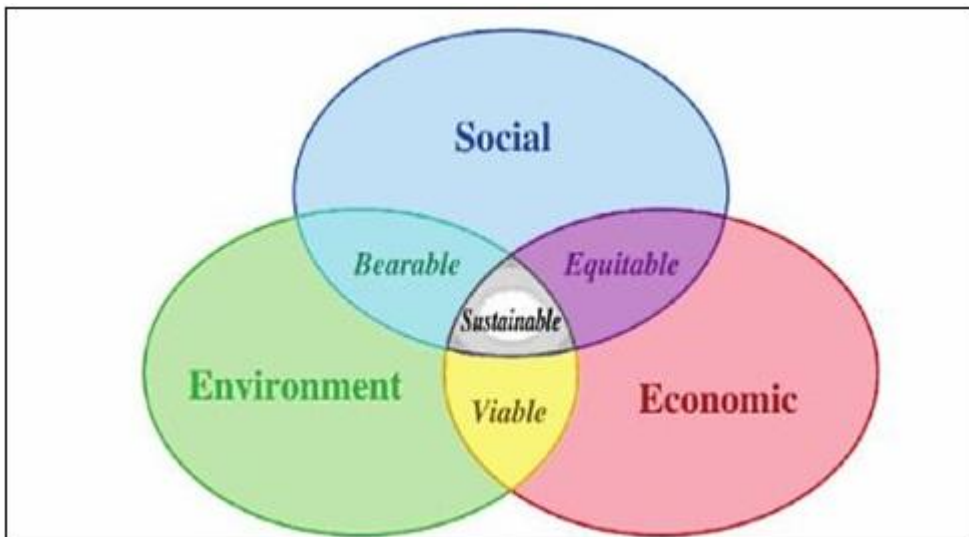


Figure 2.2 Triple Bottom Line (University of Maryland 2010)

Economic responsibility

Economic responsibility means that companies have a financial or economic responsibility to those who have provided it with financial resources or other services, and expect to receive a compensation for their troubles. In some cases, companies can also be held economically responsible to compensate for their violation of laws or expected ethical customs. For example, economic responsibility could be paying wages for employees, charging customers fairly and delivering agreed products, paying interest on loan etc. Economic responsibility thinking can be also widened to include consideration for corporation's responsibility to provide local communities and other stakeholder groups with economic growth opportunities, and favour-

ing certain stakeholders, such as suppliers or employee groups due to ethical considerations.

Social responsibility

Social responsibility in the CSR concept refers to the social responsibility of enterprises that do business in accordance with the ethical and moral standards acceptable to society (Erasmus 1998). These standards might change and vary according to their own perceptions that enterprises have of it, but the overall base is the same. Social responsibility is an obligation business to protect and improve the welfare of both society and business as a whole by taking proper legal, moral-ethical, and philanthropic actions. This of course must be accomplished within the economic structures and capabilities of the company. Actions taken to improve social responsibility should never be profit-generating.

Environmental responsibility

Environmental responsibility nowadays has a crucial impact on businesses and their CSR programs. Over the past decades the overall perception of it has changed as well as the degree of importance for corporations operating in today's business. There have been multiple attempts to define Environmental Responsibility in the past. In the following passage the given definitions suitable for our field of study will be discussed.

Multiple corporations as well as experts have formulated their own environmental responsibility definitions over the past years. Davis and Bloomstorm (1975) as an example defined environmental responsibility as "the obligation of decision makers to take actions which protect and improve the environment as a whole, along with their own interests". This definition is of rather broad appearance which may be due to the early years of environmental responsibility.

During the last decades the definition has changed and refined in the interest of associations and corporations. The World Commission on Environment and Development therefore emphasizes “sustainability” as the most important factor of environmental responsibility by consuming less natural resources as well as burdening the environment less with effluents. The needs of the present should be met without compromising the ability of future generations to meet their own needs’ (University of Pretoria 2010, p. 1-4). Either way corporations need to define their own term of environmental responsibility and integrate it into their corporate culture.

The extent to which corporations use sustainability and environmental responsibility as interchangeable terms differs. As mentioned before, the World Commission on Environment and Development sees sustainability as an important factor of environmental responsibility, contributing to an overall environmentally friendly business. In this study we use the term sustainability to refer to a series of environmentally conscious actions that take into consideration the interests of other stakeholders as well. Therefore sustainability and environmental responsibility are used interchangeable due to their close correlation and overlapping of their overall content.

3 AIRLINE INDUSTRY TODAY

3.1 History

During the past decades the aviation industry underwent drastic changes not least due to rapid development in the technology sector. The actual starting point of aviation was initiated in 1903 by the Wright brothers who successfully accomplished the first powered flight in a heavier-than-air machine, followed by Henry Fabre in 1910, who succeeded in the first seaplane flight in history (Russel 2006). Finally it took 4 more years until, in 1914, the first scheduled flight took place with a plane that could take off and land on water.

Up to World War I the overall development of new aircraft was rather slow especially due to small acceptance of aircrafts by the overall public. In contrast the military value of aircraft was recognized fast and the overall development increased rapidly. More powerful motors enabled the airplanes to speed up until 130 miles per hour. Consequently larger planes could be built. The downturn of that time was the focus on building aircrafts for war actions. Hence, the commercial aviation segment was ignored and for a long time aircraft were associated with war (Airline Handbook 2009).

The first crisis of the airline industry took place after the war. Multiple aircraft builders went bankrupt due to the high surplus of airplanes and consequently the production was down for several years. To make use of the surplus, the U.S. government initiated a transcontinental mail service in 1919. The idea of airmail was born and the bidding for airmail contracts began. Henry Ford was one of the bidders and built one of the first all-metal planes in 1927. His Tin Goose was the first airplane only designed for the purpose of transporting passengers and in the same year the first oversea flight took place and another milestone for the airline industry was set (Ibid.).

In order to compete with the railways, the airline industry soon felt the need for innovation. Bigger and faster planes needed to be built and the aircraft builders responded to that challenge in the 1930s, making it the most innovative time for the airline industry. Air-cooled engines, reduction in weight as well as improved safety attracted the overall public. During that time, in 1933, Boeing introduced the first passenger airline for up to 10 passengers. It was not until Trans World airlines introduced the DC-3 airline, which vastly increased passenger capacity, that companies were able to make money whilst transporting passengers (Ibid.).

According to Russel (2006) the most important airline in the time before World War II was Pan American Airways. 46 countries were served and all continents

were linked. Eventually World War II became one of the successful drivers of innovation leading to exploding production numbers, especially in the U.S. Still airlines had trouble keeping up with the transport of passengers as well as supplies. In 1969 the revolutionary aircraft Boeing 747 was introduced offering seating for 450 passengers followed the Jumbo Jet Tupolev Tu-144 as well as its counterpart the Concorde making worldwide travel possible for everyone (Airline Handbook 2009). The time after 1987 enabled smaller Start-up companies to start their own business. This change was due to the U.S. airline industry deregulation enabling passengers to fly at decent prices all over the globe, especially for business purposes. The demand for air travel increased rapidly. Due to this trend low cost airlines emerged at the end of the century, offering flights at low prices but also at a lower service. These airlines constitute a big challenge for today's airline business due to a highly competitive market (Ibid.).

3.2 Current situation and trends

During the last years the development of allying with other airline operators to get around government restrictions became apparent. Coordinating passenger services, offering interline tickets, code sharing, cheaper fuel and supply purchases are some of the advantages of alliances. The overall business actions are combined for providing the most efficient service possible. This trend is most likely to increase even more in the future.

According to Madeleine Ravich (2010) the airline industry is undergoing great changes. Due to higher fuel and energy prices as well as restrictions on greenhouse emissions the aviation is pushed into sustainability in order to operate efficiently. By making up 2-3 % of the global greenhouse nowadays, airlines allegorize a major threat to the environment and the planet in general.

Due to societal changes as well as the former mentioned regulations CSR needs to be taken seriously. This trend is accompanied with several other actions that currently challenge airline operators in the market.

According to IBM Global business services (IBM 2007, p. 3) challenges, especially concerning operational costs and competition, were jet fuel prices that doubled between 2001 and 2005, global public- and private-sector spending on anti-terror actions as well as increasing numbers of low-cost airlines. IBM concludes that in future aviation business a shift from today's trade-off between cost and quality of services towards a hybrid business model will occur. To ensure improved business, using a hybrid model with a major focus on the improvement of customer image and higher profitability is inevitable (Vincent et al. 2010, p. 3).

Regarding efficiency the International Airport Council International (ACI) predicts a rise in the number of global passengers especially in the African and Asian pacific region which will lead to an overall increase of the total world passenger traffic. The development can be seen in the chart below.

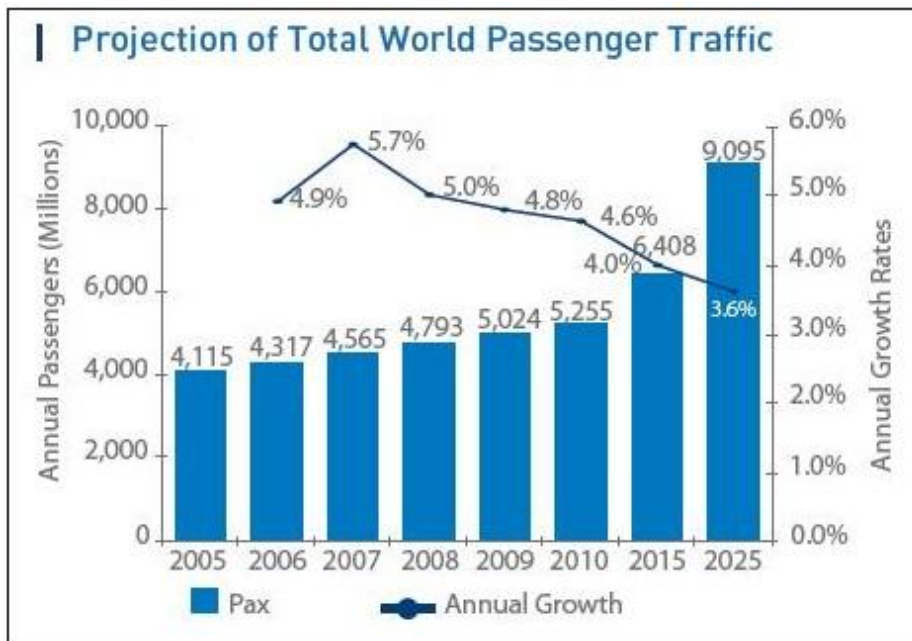


Chart 3.1 Projection of Total World Passenger Traffic (Airports Council International 2007, p. 2)

The ACI forecasts a rise from 5 billion passengers in 2010 up to over 9 billion passengers in 2025, making Asia the world's largest aviation market due to fast growing economies such as China and India. The international traffic rise will outpace the domestic one by 0.8 % each year (Airports council international 2007, p. 2). In order to live up to these forecasts and fulfill customers' rising expectations, airline operators need to create value through additional or improved services.

A survey conducted by senior aviation executives about the concerns they have in the business today takes an approach on that matter. Based on the survey IBM suggested 5 services that will eventually create additional value and an increased profitability. Self-service solutions will enable the customer to choose their way of operation is the first suggestion of IBM. Close collaborations between travel providers as well as a shared infrastructure whilst reducing costs is the overall aim. Integrated baggage handling consisting of joint IT systems and processes, electronic tracking devices as well as separation of baggage handling will result in cost reduction in baggage handling as well as customized baggage services. IBM also points out that shared services in order to use commodity applications collectively will lead to a reduction in infrastructure costs (IBM 2007, p. 3).

Modular, flexible airport operating systems are inevitable in a fast growing aviation industry. The overall processes need to increase in its efficiency to deliver better services. This can be achieved by implementing a modular and flexible architecture that can receive and route data within a network. This might include flight information display services, ground crew systems as well as catering systems. The former mentioned services combined with new security technology will then lead to an increased performance. Especially during times of terrorist threats security costs have been rising tremendously. Hence, new technologies such as fingerprint recognition, automated document identification systems, iris-scanning systems, facial recognition technologies as well as data analysis systems for pre-screening passengers are needed in order to control these costs. These technologies will be the basis for achieving the overall objectives mentioned above. The implementation of

these actions is highly recommended but future business will require more than that in order to be competitive (Vincent et al. 2010).

3.3 CSR in aviation industry

In the past years the viewpoint of organizations concerning sustainable business actions has changed, some due to laws and regulations and others due to stakeholder as well as environmental interest. The question that every company needs to answer and evaluate is the extent to which it acts responsibly. In the first place a company is responsible to achieve an economic benefit of employees and owners. All other actions are considered as a plus and as a secondary responsibility which have been ignored for the past years. Only now a new way of business emerged due to the upcoming awareness of CSR and the impact that aviation has on the environment. Considering primary as well as secondary responsibility, Phillips (2006) defines CSR as both a philosophy and practice, mainly for organizations that voluntarily act in order to assist society in positive ways beyond that required to obtain profit objectives.

Generally aviation and sustainability seem to contradict themselves. As mentioned before the overall flight traffic will increase tremendously in the next 15 years which will lead to increased carbon emissions, raw material consumption and overall pollution. Hence, actions have to be developed that support and fulfill stakeholders' expectations, as well as taking care of environment (Ibid.).

Unfortunately rather shocking predictions estimated global damage to society and the environment due to increasing aviation. The number of emissions of nitrogen oxides will increase from 2.5 million tons up to 6.1 million tons in 2025 and CO² emissions will have doubled to 1229 Mt (Aviation Environment Federation 2008). Hence, more emissions will be released into the atmosphere especially close to the airports. To reduce these emissions airline operators would have to invest a huge amount of money which then would dissatisfy shareholders and harm the overall

profitability. Several airlines are therefore promising to undertake actions to reduce emissions, but the truth looks different. One way of improving the environmental impact is the so called carbon off-setting. The biggest challenge hereby is the awareness factor regarding the customers. It is not clear whether or not the carbon offsetting is voluntary or compulsory. According to Oosterhuis (2007) the main problem regarding carbon offsetting is the fact that non- CO² emissions, such as contrails and nitrogen that have a direct impact on the environment, are not included in the offsetting calculations. Therefore passengers are not able to offset all emissions. In the Australian market for example, carbon offsetting is used as a protection against new governmental restrictions. Hence the initial purpose of environmental responsibility is not evident anymore.

Even though CSR is not implemented in all airlines, the role airline operators are playing in future's business actions will highly depend on the actions they take now in order to protect society, economy and the environment.

4 STAKEHOLDER THEORY

4.1 Definition

Stakeholder theory has been developed since the 1970s. It states that corporations are more than autonomous individual actors, and are playing a role in a community that places obligations, expectations and responsibilities upon them. Corporations can be depicted as citizens of a community and as such are subject to societal control and having limitations on their actions. The role of companies have received increasing attention over time, with their impact on their employees, the environment, local communities and other stakeholders, becoming the focus of debate. The reason for this increasing debate has been the increasing size of corporations, and thus their ever increasing impact on society. Companies' influence on society has become so pervasive, that they should discharge accountability to

more sectors of society than solely their shareholders (Solomon, 2007, pp. 231-232).

4.2 Stakeholders

There are many ways to define stakeholder theory and stakeholders, depending on the author or scholar being referred to. One common aspect is present with all stakeholder definitions, and it is the acknowledgement of stakeholders' involvement in an 'exchange relationship' with companies (Solomon 2007, p. 22). Freeman stated that companies should not be responsible only to their owners, but to "any group or individual who can affect or is affected by the achievement of the firm's objectives" (Freeman et al. 2001, p. 89)

An obvious problem with this definition is that it is rather vague. Anybody can claim to be a stakeholder of a company. Thus a better definition should be applied to define stakeholders. Looking at the etymology of the word stakeholder indicates that it refers to a person who holds a stake on an issue. Using this logic, it can be argued that to be a stakeholder, one must have some property, asset or crucial interest "at risk" in a business. Stakeholders are commonly thought to include shareholders, government, suppliers, customers, creditors, employees, media, industry associations and local communities (Solomon 2007, p. 22).

4.3 Stakeholder grouping

Stakeholders have different levels of affect on the company. Obviously some stakeholders have deeper relationship with the company, and thus can affect the company, and are affected by the company in a more profound way. Each stakeholder has a different criterion of responsiveness, because it has different interest in the company. This leaves a question whether stakeholders belong to certain groups depending on their relationship with the company.

Werther and Chandler (2006, p. 4) claimed that companies have three kinds of stakeholders; organizational stakeholders, internal to the company, and economic and societal stakeholders, external to the company, with the environment, as a non-entity, belonging to the societal group, pictorially represented as the outer circle around the company's core. The following figure represents these groups.



Figure 4.1 Stakeholder grouping (Viaglobus 2010)

Organizational stakeholders

Organizational stakeholders consist of individuals who hold a position inside the company. These stakeholders are owners, boards of directors, managers, employees and the unions they are involved with. Organizational stakeholders engage in the “politics” of the company, aiming to acquire, enhance, and use power to obtain preferred results in organizational decisions. Such political actions aim to influence budgeting decisions and resource allocation, shaping goals, promoting or resisting personnel changes, determining the resolution of crises, as well as gaining more power and influence over the organization (Harrison and Shirom 1999, p. 70)

Economic stakeholders

The relationship of a company and its economic stakeholders can be described as one that includes some for economic exchange and risk relationship between them. Economic stakeholders include shareholders, who risk their capital to gain dividends, lenders who provide loans against interest, suppliers who provide raw material and services against current prices, and customers who risk economic loss due to faulty products or poor service. (Jeurissen 2007, p. 118) Economic stakeholders, as well as organizational stakeholders are considered to be “primary stakeholders”, as they have a direct stake in the organization and its success and are therefore extremely influential (Sims 2003, pp. 72-74).

Societal stakeholders

According to most CSR proponents, companies’ responsibilities do not stop with their economic responsibility. Whereas organizational and economic stakeholders can be considered to be “primary stakeholders”, social stakeholders, and the environment are often referred to as “secondary stakeholders”. Social stakeholders can be influential as well, their influence normally affecting the reputation and public standing of an organization, but their stake in the company is more representational of public or special interests than direct (Sims 2003; pp. 74-75). Social stakeholders include communities, advocacy and special interest groups, government and regulators, NGOs, media and the environment. Issues affecting the environment as a stakeholder can include such things as climate change, deforestation, pollution, extinction of species and depletion of natural resources. Environment as a stakeholder of course is powerless, but environmental interests are represented by organizations such as Greenpeace and World Wildlife Fund.

4.4 Managing stakeholder relations

Stakeholder management is an important process that allows companies to achieve their strategic objectives by interpreting how those objectives can be influenced and affected by the interests and actions of relevant stakeholders. It aims to create positive and mutually beneficial relationships with stakeholders through appropriate management of their expectations, interests and agreed objectives (Cornelissen 2004, pp. 57-59). It is important to note, however, that stakeholders can belong to several stakeholder groups; such as an employee might also be a shareholder or active member of an NGO, thus being an organizational, social as well as economic stakeholder. Stakeholder management process involves two primary issues; stakeholder mapping and stakeholder engagement, which will be discussed below.

4.4.1 Stakeholder mapping

Stakeholder mapping is a way of identifying the stakeholders of a company and understanding the nature of their relationships to it. Stakeholder mapping helps define which stakeholders are important to the business by assessing stakeholder interests and prioritizing them. The most commonly used model for assessing importance of stakeholders, the stakeholder salience model, has been created by Mitchell, Agle and Woods in 1997. They suggested that the importance of stakeholders is dependent on the salience of the stakeholders' claims which is defined by three dimensions; power, legitimacy and urgency. Power is the stakeholders' ability to affect organizational action. Legitimacy is the organizational perception on the validity, desirability and appropriateness of stakeholder claims. Urgency is the degree to which stakeholder claims are perceived to call for immediate action (Friedman and Miles 2006, pp. 94-96). Together, these three attributes form seven types of stakeholders, as shown in the figure below.

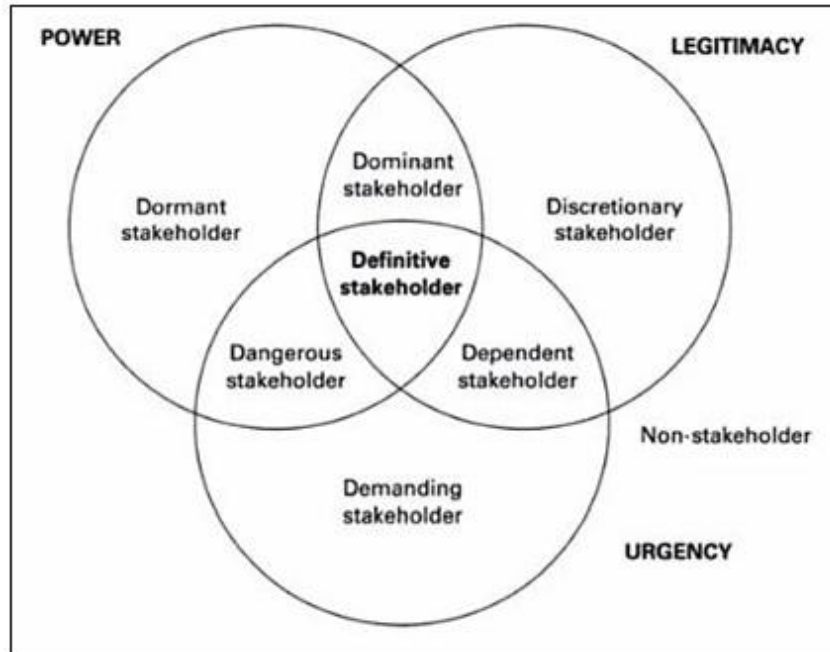


Figure 4.4 Salience model of stakeholder classification (Friedman and Miles 2006, p. 94)

Executives should decide which stakeholders' interests should be taken into consideration when contemplating on actions which have an economic effect on the company and its constituents. According to Friedman and Miles (2006, p. 95), consideration of a single dimension alone is insufficient in classifying a stakeholder as high priority, and that the combined value of these dimensions should be assessed.

The need for a stakeholder hierarchy arises when company executives must respond to a multitude of stakeholders. Each stakeholder has different interests, which means that very often there will be a conflict between them. One must decide which stakeholder interests go above those of the other stakeholders. This decision is dependent on the power, legitimacy and urgency. Therefore executives should be aware of these dimensions and rank stakeholder importance accordingly. (Heijden et al. 2008, pp. 219-220)

4.4.2 Stakeholder engagement

Stakeholder engagement is a way of staying connected with relevant stakeholders. It implies understanding their views and taking them into consideration, being accountable to them, and using information received from stakeholders to improve business functions. Three key reasons for stakeholder engagement are building social capital, reducing risk and fuelling innovation (Industry Canada 2006, p. 64). These will be discussed below.

According to Industry Canada (2006, p. 65), social capital is nowadays as important as fixed assets. Term “social capital” refers to features of social organization, such as social networks, social trust and adherence to social norms. High social capital allows companies to coordinate and co-operate with actors in a social network for mutual benefits (Lin 2002, pp. 19-22). Simply, social capital means strong, trusting relationships, which are forged over time through positive interaction with stakeholders, but may be lost quickly if trust is broken. While it is not possible to assess the value of social capital, it is possible to assess the quality of a company’s relationships with its stakeholders.

In an environment of instant global communication, good relationships and communication with stakeholders can serve as a system of early warning in issues such as; service or product concerns of customers, human rights or environmental concerns of communities and business governance concerns of shareholders. With efficient stakeholder engagement, companies can be more aware of stakeholder concerns and therefore reduce risks overall. Also stakeholder engagement fuels innovation through increased stakeholder interaction and communication (Industry Canada 2006, p. 65)

Stakeholder engagement can occur at different levels of intensity; lower level engagement means simply informing and explaining corporate matters to stakehold-

ers, middle level engagement might include consultation and negotiation, higher level refers to active or responsive acknowledgement of stakeholders' right to involve in decision making and the highest level refers to stakeholder relationships which could be described as collaborative partnerships (Carroll and Buchholtz 2003, p. 110). The level of stakeholder engagement is dependent on the perceived importance of stakeholder in question. The more important the stakeholder can be considered to be, the higher the level of engagement.

5 RESPONSIBLE BEHAVIOUR

In the current operating environment, both opportunities and risks are part of everyday business for the companies, and the ability to react swiftly to those changes in the environment is imperative for companies' survival. Therefore it is crucial that airlines stay aware of stakeholder issues as well as occurrences and trends in the operating environment. In order to do so companies must adapt CSR programs, which can work as a tool kit for tackling problems arising from economic, social, environmental and strategic risk involved in the airline business.

CSR culminates in responsible business practices, where theories and statements are turned into meaningful and responsible behaviour. It is the recognition of, and the response to the interconnectedness and interdependence of business, society and the environment. Responsible behaviour includes; consideration of the impacts of business processes, responsible management techniques and transparent and honest reporting of practices to all stakeholders. Responsible behaviour includes different issues, depending on business activity, CSR aspect and stakeholders in question. These issues can be divided into primary elements; i.e. environmentalism, community support, workplace practices and customer relations (The Hub 2010).

5.1 Environmental issues

Behaving in an environmentally responsible way is a challenge in the airline industry, as aviation and environmentalism has often been considered a paradox. Environmentalism in the airline industry encompasses reduction of all forms of pollution and waste, with the focus point being on carbon dioxide emissions. Airline business has reached maturity in most developed countries, where both business and leisure travel are common place. In developed countries, such as the UK, share of emissions produced by airline industry stands at 5.5%, whereas share of global emissions stands at 2%. Airline industry has traditionally been one of the fastest growing industries (BBC News 2006). In spite of these relatively low figures, steadily increasing public concern for the environment and climate change, and the role airlines play in those issues has caused airline industry to receive a lot of negative attention. Therefore it can be noted, that the need for an airline company to become more environmentally friendly does not necessarily stem from its contribution to climate change, but more from potential marketing and operational efficiency benefits that such a focus might bring with it.

Airline companies primarily produce emissions in flight, maintenance and airport operations, as well as waste in on-board catering and logistic processes. Most of these processes are influenced and operated by external suppliers or partners, meaning that in order to reduce waste throughout its operation, an airline must collaborate with its partners and suppliers. British airways has agreed to work together with others in the industry to cut emissions to 50% below 2005 levels by 2050 in an agreement between airlines, airports and airplane manufacturers (Guardian 2009). Actions that can help airlines, and the aviation industry as a whole, to reach these targets, will be discussed below.

Airlines have improved their efficiency constantly in terms of emissions per flown passenger (ERAA 2010). Even though emissions per passenger have decreased, the number of airline customers has been constantly increasing. This raises con-

cerns about what airlines can do in order to be more environmentally responsible and reach the previously mentioned targets introduced by IATA. According to Philippe Rochat, head of aviation environment at IATA, airlines in collaboration with airports, airplane manufacturers and fuel producers need to focus on four areas of development; technology, operations, infrastructure and economic measures (Rochat 2007).

Development areas in environmental issues

Technology is the main driver of this progress, and it means focusing on development of lighter and more aerodynamic airplanes, more fuel efficient engines and bio fuels, from sources such as algae oil, which would reduce emissions drastically. Focusing on more efficient operations means that airlines find ways to reduce the environmental impact of their operations. This can mean actions such as training pilots on fuel efficiency, reducing on-board weight by charging customers for meals and luggage, reducing amount of waste created by using bio-degradable, recyclable and re-usable materials, reducing usage of water and such chemicals as de-icing agents and by collaborating with airports to find ways to reduce overall carbon footprint of each travelling customer. Changes in infrastructure require government action, but airlines can lobby for these issues. Infrastructure offers major opportunities to reduce carbon emissions by addressing airport and airspace inefficiencies. Such changes in infrastructure mean; more flexible use of airspace and allowing pilots to choose most the efficient routes in real-time and collaboration between national air traffic controllers to improve traffic efficiency. One such initiative, Single European Sky has been introduced by the European Commission. Economic measures include issues such as lobbying for tax credits to help boost research and development of new technologies and open emissions trading to encourage all airlines to reduce their emissions. Some economic measures also include airlines engaging customers to off-set their personal carbon emissions, by donating money for forestation and green energy programs (Ibid.).

5.2 Community support

Commercial airlines have an enormous effect on local communities around the airports they serve. It allows such communities to have better access to products and services, such as mail, medical services and perishable produce. Airports also increase tourism around the areas it serves, bringing in external revenue from visiting tourists. Also, due to the complexity involved in airport and airline operation, communities around airports also enjoy employment benefits both directly and indirectly through increased economic activity. Airports and airlines are larger employers, especially in communities where the local airport is the hub of a major airline. For example, London Gatwick Airport is located around 45 km south of London and is surrounded by relatively small cities in UK standards, such as Crawley, East Grinstead, Horley, Redhill and Reigate, which inhabit less than 200,000 people altogether. Still, Gatwick airport directly employs 25,000 staff and indirectly a further 13,000 (Gatwick Airport 2010). In addition to creating jobs at the airport or with airlines, having an airport is a deciding factor for location selection for companies which need aviation infrastructure for their logistical operation, i.e. high-tech suppliers, or who rely on tourism, i.e. hotels (AOPA Online 2010).

Development areas in community support

Despite of all of the economic benefits airports bring to surrounding communities, aviation is often considered a nuisance. This is due to increased environmental concerns, noise and road traffic. Having an airport next to a community raises several environmental concerns, such as; increased emissions from ground operations as well as take-off and landing, release of chemical waste products, groundwater pollution, increased energy consumption which can affect electricity prices and finally both land-fill and hazardous waste generation (Eco Travelling 2010). Noise caused by departure and landing of planes is not only annoying and disturbing to people living near airports, but, according to a new study, unhealthy as well. Research conducted by Imperial College in London discovered that people living un-

derneath flight paths of major European airports for 5 years or longer, have an increased risk of developing high blood pressure, double that of an average person (Airport International 2010). Lastly, airports naturally increase traffic on major roads and in nearby cities. In order to mitigate the negative effect of these issues, airlines should engage in stakeholder dialogue with communities around its hubs and major destinations, as well as try to find ways to reduce noise, environmental impacts and to support public transport alternatives.

Finally airlines should be conscious of their social responsibilities toward local communities as well as impoverished communities mainly in 3rd world countries. Airlines, obviously, can choose which communities and charitable objectives it wishes to focus on, or whether to engage in such activities at all. These decisions are based on the management's sense of social responsibility and perceived public relations or image benefits (Crane and Matten 2007, pp. 26-28). However, in modern market economy, no airline can fully reject these responsibilities, without facing negative reaction from certain important stakeholders. Charity towards both local and impoverished communities can, among other things, include such activities as supporting education, hospitals, infrastructure, youth, sports, cultural events and various charitable organizations.

5.3 Workplace

Employers are facing increased pressure from journalists, activists, management scholars and employee organizations to take their role as social citizens more seriously and treat their employees fairly. Also, several strategic human resource management (SHRM) researchers have found a link between companies' operational performance and human resource (HR) practices. It is logical that an employee who is satisfied with his/her job and feels fairly treated, will also be a more energetic, creative and productive employee. While ultimately a company's most important stakeholders are its shareholders and financiers, employees have a direct influence on its operational performance. Thus unsatisfied employees can in-

tentionally disrupt company's performance by idling or even by striking (Deckop 2006, pp. 3-5, 27, 30-31).

In the airline industry, there are no production lines which could be automated or outsourced and most jobs are customer service jobs, therefore airlines have to take employment issues seriously. The nature of the airline industry makes it a challenge to nurture employees, as airlines have to do their best to keep costs down in order to compete in the market. The main HRM challenges regarding airlines can be considered to be health and safety, recruiting and retaining qualified employees and maintaining employee satisfaction (Boyd 1999)

In order to ensure health and safety of employees, airline management has to set up a program it is actively involved with and ensure that employees are also included in it. Health and safety program should include identification of current and potential hazards and measures for preventing and controlling such hazards, such as adopting best practices and training methods (OSHA 2010). Airlines should at least comply with legal demands, but can be considered to have the moral obligation to do whatever possible to ensure maximum safety of its employees.

Training and development programs are highly dependent type of work. Therefore the training and development needs of particular departments and roles should be reviewed by management and employee representatives. The goal of training should be to increase safety, productivity, improve skills and abilities, and allow personal development. Different training methods vary from on the job training to degree programs offered by employers. Employees should be offered the possibility to show their capabilities, improve in their jobs and progress their careers (Sims 1998, pp. 13-14).

5.4 Customer relations

Customers wishing to fly are primarily concerned with two key issues; price and level of customer service. Safety is another major concern for a lot of customers, but we do not believe it is a major decision factor, when choosing between the services of well-known airlines. Customers seeking low prices will often choose low-cost carriers for short-haul flights, but for long-haul flights the prices offered by different airlines stabilize more. Especially during long-haul flights, airlines need to focus on making travelling as comfortable as possible for its customers, as travelling long distances is already exhausting and annoying for many people. Excellent customer service can therefore provide a competitive advantage for airlines. Moreover, amenities served on airplanes, such as earplugs, earphones, meals, drink and blankets, have either become priced or taken out entirely due to environmental and cost concerns. Thus airlines must be creative to serve customers in a cost efficient manner (Kurtz et al. 2009, p. 314).

Customer service issues that airlines should focus on are good online booking and check-in services, taking care of customers during flight and in cases of delays, as well as ensuring that customer luggage is delivered safely and timely. Airlines also have to make sure that they abide to laws concerning customer protection issues. One example is the affect of ash clouds caused by the eruption of an Icelandic volcano in the spring of 2010. Several airlines, including Finnair and Ryanair, neglected their customers and defied European regulations, and resisted to compensate for customers severely affected by the ash cloud (Guardian News Blog 2010). Even though it is easy to understand the companies' arguments that are based on "Force Majeure" and cost rationale, but the negative publicity the companies gain from such events can cost them more in the long run.

6 CSR AS AIRLINE STRATEGY

6.1 The need for CSR strategy in airline business

Nowadays having a business strategy is as essential as never before due to a high need in business life for forecasting, measuring and developing business actions further. There will always be competitors that are potentially doing better business regarding overall revenues which consequently leads to a need of efficient and structured operations to ensure long lasting business success. Businesses that are going to last and also be profitable in the future are the ones with CSR incorporated into their business strategy. We therefore believe that implementing it is inevitable. Like many other business aspects a clear vision on how to implement CSR is crucial. Therefore a “road map” needs to be developed in order to ensure a successful outcome. It allows the firm to be successful whilst using its resources within its unique environment to meet market needs as well as meet stakeholder expectations (Industry Canada 2006, pp. 32-33).

Esty and Winston (2006, p. 9, 11) have the opinion that stakeholders are nowadays pointing concrete questions at companies concerning specific environmental issues. This emerging interest in responsible behavior reshapes markets, creates new business risks but also offers opportunities for companies that are prepared to respond. Hence, incorporating CSR actions into business strategies gives companies flexibility and the ability to adapt quickly to new market situations. Esty and Winston are of the opinion that incorporated CSR actions in the business strategy allegorize for an increasing potential for upside benefits. Innovation and entrepreneurial actions are progressively seen within companies that include the environmental lens into their business. In times of recession those companies have found a way to set themselves apart from competitors and elude the current downturn of the economy. By remaking their products in order to respond to customers' needs, companies drive revenue growth and increase customer loyalty. Only the companies that build, maintain and continuously strengthen their own identity and its mar-

ket will survive in the long run (Industry Canada 2006, pp. 32-33). A more detailed view on the benefits of CSR in regard of a companies' strategy can be seen in the following chapter.

6.2 Benefits of CSR as a business strategy

Implementing a CSR strategy implicates multiple benefits for a company that differ in its importance according to the overall business actions and markets the company is operating in. The Industry Canada (2006, pp. 8-9) defined several benefits for the Canadian industry that are easily transferrable to other industries around the globe.

First of all a better anticipation of risks and risk management in the environmental, social, economical as well as legal sectors is one benefit assuring overall greater oversight concerning stakeholders and market movements. Companies are able to increase their reputation using CSR actions. Especially high-value retail brands will benefit from CSR actions to a great extent, not only regarding customers but also supply chain partners. The former named benefit then leads to a greater opportunity to recruit, develop and retain staff. If the employees are proud of the product and business actions it will show in the results. Improved human resource practices will contribute to improved loyalty towards the company itself (Ibid.).

Moreover CSR can be seen as a driver of competitiveness. Firstly due to satisfaction of the staff and secondly because of increased reputation and improved business actions. Innovation and product differentiation open access to new markets in return (Ibid.).

In addition, Industry Canada names improved operational efficiency and cost savings as another benefit. Due to an efficient approach towards management activities as well as constant evaluation of the business processes, energy can be saved and waste streams can be turned into revenue. As mentioned before CSR is a

good way of improving overall business relationships especially in the supply chain management. Beneficial, long-term, partnerships emerge that decrease the overall time needed to adapt to market changes. Hence business efficiency improves and companies' earnings rise (Ibid.).

In addition to the former mentioned benefits, co-operating with local communities becomes much easier. Because of an increasing citizen and stakeholder understanding, relations with companies' shareholders will improve immensely (Ibid.).

Access to capital is crucial in all kinds of businesses. In order to decide where to invest, financial institutions are increasingly integrating social and environmental criteria in their decision making process. Hence effective CSR management might give a company the competitive edge that is needed to convince the financial institutions to invest into their business.

An improved relation with regulators is the last benefit named by Industry Canada. The jurisdiction introduced approval processes for companies that have incorporated social and environmental processes beyond required regulations.

Besides the Industry Canada, also Esty and Winston (2006, p.15) state the benefits of incorporating a CSR strategy. Esty and Winston are of the opinion that CSR efforts such as cutting waste and reducing resource use can save money that directly contributes to the bottom line. If redesigning a process to use less energy, the exposure to volatile oil and gas prices will be lowered. This effort avoids business risks whilst protecting the environment. 'Smart companies get ahead of the Green Wave and lower both financial and operational risks. Their environmental strategies provide added degrees of freedom to operate, profit and growth.' (Esty and Winston 2006, p. 13).

But before implementing CSR actions, corporations need to undertake a considerate evaluation of costs that might occur during the process. Only if the benefit of a

certain CSR action is higher than the overall cost it should be incorporated into business processes. Consequently, actions that might turn into loss should be avoided.

6.3 Model of CSR as competitive advantage

During the last decade the attempt to include CSR in companies' business strategies emerged widely. Consequently many actions have been developed in order to build up a corporate culture combining economical, social and environmental actions (Alagse 2010).

In the past business actions and social responsibilities have been seen as two different things - business actions being inside the company and social responsibility actions outside the company. Because companies were so obsessed with profitability and earnings they missed out on the opportunity to include CSR in their business actions. This is now changing. The model below describes the line of actions a company takes in order to gain competitive advantage.



Figure 5.1 Varying degrees of “integration between CSR initiatives and business strategy” exhibited by the business (Alagse 2010)

According to Alagse there are four different degrees of CSR actions that can be integrated into the business strategy, all leading to competitive advantage to a different extent.

The first strategy is the so called reactive strategy. This type of strategy has been used widely in the past, gaining trust and confidence of the community but paying penalties on social responsibility actions that otherwise could have been saved. Because of the immense spending, companies started to look for other alternatives to be active in social responsibility issues whilst keeping the spending down. One way of solving this problem is to change the business strategy to a proactive one. Hence companies prevent problems rather than react to them after they have appeared. This strategy can lead to savings that the company can use otherwise (Ibid.).

The second strategy leading to competitive advantage deals with CSR as an image building exercise. This strategy responds to the reactive strategy in which companies failed to discharge social responsibility. The damage control exercise is one way of recovering from the former mentioned strategy. Nowadays it is widely common for businesses to use and communicate their CSR actions to the public. It is accepted as an opportunity for building up a corporate image for the company. By embracing social actions into business actions rather than just mentioning them, companies are offered the chance of enhancing the overall image of the company as well as building a positive reputation of societal concerns. This eventually will lead to competitive advantage. The only downturn of this strategy is that companies' actions are not necessarily related to the implementation of CSR into a business strategy. It takes more than highlighting one's actions in the media to become an overall sustainable business. Hence CSR as a tool for image building needs to overcome the border of being an instrument for public distinguishing and align CSR with the overall business goals (Ibid.).

The third strategy utilizes CSR to improve operating efficiency. The usage of the environment does not only improve a companies' ability to work inside environmental regulations but also reduces operating costs by increasing the overall efficiency. This type of business operations benefits both the overall business as well as the living conditions of future generations. Furthermore these actions can be used for projecting a business case for CSR and showcasing the implementation and integration of these actions to achieve better business outcomes. Of course implementing this strategy alone is not a guarantee for profitability. Only in combination with other business actions will the strategy lead to the desired outcomes (Ibid.).

The fourth strategy that will be discussed views CSR as a source for competitive advantage which is highly based on understanding the communities and the impact the business actions have on them. It is necessary to evaluate how both the community and the business can benefit from future actions in the short and long run. Because finding a solution that suits everyone involved is rather difficult, detailed discussions and evaluations are needed to ensure profitable business now as well as in the future. Forecasts suggest that issues related to climate change as well as responsible behaviour will be the decisive factor on business success in the future. Hence more and more businesses are focusing on creating a corporate culture that incorporates responsible actions – there will be many more to follow (Ibid.)

6.4 CSR as part of marketing strategy

In the past years CSR has been used in a deeper meaning and therefore it has been widely implemented into companies' business actions and strategies. However, the implementation and usage of CSR in marketing is a rather new topic and is not incorporated in every company's business operations yet. Because there is an increasing awareness of CSR being a useful marketing tool, companies start to market their CSR actions to stakeholders.

Bueble (2008, p. 18) referred to Kitchens' quote saying that 'CSR communication can be defined as using promotional techniques that are directed at informing about a company's CSR whilst supporting CSR-based brand identity and relational as well as behavioural loyalties or switching behaviour'. Hence social, ethical and environmental behaviour is related and communicated not only in the company itself but throughout the whole supply chain. Furthermore Bueble mentions that marketing of CSR actions has been used in the past for building overall awareness as well as conveying corporate image. However, little research has yet been undertaken in terms of how to communicate CSR in the right way. It tends to be very difficult to communicate responsible and sustainable actions which adhere to the interests of all stakeholder groups. Therefore communication and careful evaluation is crucial in order to successfully use CSR in a marketing strategy.

During the next few years the trend will most likely shift towards a higher usage of CSR in marketing strategies. Companies are increasingly going to use sustainability in their marketing actions to generate a competitive edge as well as building up customer loyalty, satisfaction and resilience. Research has shown that today's consumers are not only interested in the marketing mix itself but are more likely to buy products from a company that they perceive as having a good reputation. Therefore building a corporate brand and market companies' CSR actions is one way of conveying customers into buying a product (The Centre for Sustainable Design 2010).

None the less it is essential to mention that communicating CSR actions is a difficult topic. Although it is widely known that stakeholder groups consider CSR important, many companies fail in communicating their actions in an effective way. This is due to an unclear guideline on how to communicate CSR initiatives. Increasing the awareness level amongst the stakeholders will be the first step of gaining the benefits of it. The company then needs to build on that (Ibid.).

But all intentions of a company to communicate its CSR actions will not be effective as long as a strategy on how to implement CSR into marketing does not exist. Without it the overall marketing actions will most probably be inefficient and off target (Bueble 2008, p. 22). A thoughtful implementation of CSR into the marketing strategy is therefore recommended.

7 CSR PROGRAM FINDINGS

In order to gain an understanding of how airlines are implementing CSR programs and trying to achieve mere sustainability, we chose to look at eight airlines we believe would provide an accurate outlook of the medium cost-range passenger airline industry. The research methodology chosen is a qualitative analysis of chosen airlines' marketing materials, mainly CSR program information posted on their websites as either HTML web pages or downloadable PDF files. No external sources were used in this research, as the purpose was not to investigate discrepancies between companies' announcements and real behavior. The following airlines' materials were used; Air France-KLM, All Nippon Airways, American Airlines, British Airways, Cathay Pacific, Delta Air Lines, Lufthansa and Qantas.

The review of each airline's CSR material and its sources can be found in the appendix.

7.1 Key elements

Review of the corporate social responsibility reports of selected airlines has shown that independent of the nationality of the airline and its operational area, the main points of their reports are similar. However, some focus differences were apparent, for example US-based airlines focused more on diversity and stakeholder engagement, whereas European airlines concentrated on environmental aspects. Also the informational value of these reports varied between the airlines both in the

range of issues discussed, depth of detail and credibility. The main issues we consider to be important for an efficient communication of CSR will be discussed later in this chapter. We consider these to be clearly divided into; environment, community, employment, customer service, suppliers and safety.

7.1.1 Environment

In our opinion, due to the current nature of the market environment in which airlines operate, environmental issues should be considered the most important. Despite the fact that airlines contribute only a few percent to global CO₂ emissions, they have received such a status among customers, that very many people consider flying to be much more harmful than driving a car, for equal number of kilometers.

Therefore airlines are pressured into contributing to the environment and reducing their environmental impact. Based on our research, it has become apparent that focusing on environmental issues companies can gain competitive edge through improved image and operational efficiency. We consider the following to be the most important environmental issues that need to be addressed by airlines. These focus points are fuel efficiency, waste and recycling, and carbon off-setting schemes.

Fuel efficiency

The most important environmental issue nowadays can be considered to be CO₂ emissions. To tackle the issue of emissions, most airlines have implemented programs that aim to reduce overall emissions within a certain time period. For example Air France, KLM, Lufthansa, British Airways and Cathay Pacific (Appendices 1, 4, 5, 7) all aim to reduce CO₂ emissions between 1-2% annually. This is important in order to achieve the future emissions targets set by IATA (see page 26). To do this, these and other airlines focus mainly on improving fuel efficiency, as it is by far the biggest source of emissions. In our opinion, actions which enable airlines to

immediately reduce fuel consumption are; improved maintenance and engine washing, reduction of on-board weight, improved route planning and navigation, and introduction of economic flight operations. Investing in research of sustainable fuels, renewing fleet and lobbying for infrastructure changes in flight patterns and air traffic controlling are ways of enabling future reductions in emissions. A good example is Air France-KLM (Appendix 1), which reduced emissions by 12% since 2000 by employing similar actions. Moreover, some companies have focused on energy efficiency in their buildings and ground equipment. For example, KLM has fitted solar panels in their hangars and offices and Air France is introducing electrically powered ground equipment (Appendix 1). Even though focusing on buildings and ground equipment does not play such a big role in reducing emission, we consider it to be an important part of the overall process. This way customers and communities could more clearly see the effort that airlines are taking against climate change.

Waste and recycling

We consider waste and recycling to be the second most important environmental topic. Waste produced by in-flight operations comprises of aluminum, plastic, mixed paper and organic waste. Chemical waste includes deicing and antifreeze products, paint and detergents used in washing airplanes and engines. Other waste sources are normal business operations where paper is the predominant material. Most airlines reviewed are trying to reduce waste and focus on recycling. For example, Delta Airlines (Appendix 6) was able to fund two Habitat for Humanity homes by recycling domestic in-flight waste. Also, KLM is looking into converting organic waste from catering operations into energy (Appendix 1). Airlines should move towards recycling and reduction of waste production in all operational areas. In our opinion this can be achieved by favouring longer lasting, recyclable or biodegradable materials i.e. in catering operations.

Carbon offsetting

In order to compensate for the emissions of their customers, several airlines have introduced carbon offsetting schemes and launched environmental projects. Carbon offsetting schemes normally enable customers to use cash or flyer miles to donate to environmental projects, such as forest planting or rain forest protection, and investing in renewable energy projects especially in developing countries. However, in our opinion, there is no such thing as carbon offsetting, because once emissions have been created, they cannot be undone. Furthermore, airlines emit other harmful substances in addition to carbon dioxide.

In our opinion carbon offsetting, however, can be useful to contribute to environmental projects, raise customer awareness and improve corporate image. Projects supported through carbon offsetting schemes can be perceived to provide most benefit, when they also help impoverished economies. A good example is Air France, which is independently supporting forest protection in Madagascar, as well as energy production from agricultural waste in Senegal through a carbon offsetting scheme (Appendix 1).

7.1.2 Communities

Because airlines have a high impact on neighbourhoods and communities surrounding their major hubs, we consider it to be the responsibility of airlines to support these communities. The airlines reviewed support communities by recruiting and training local staff, buying supplies and services from local businesses, offering educational support to local institutions i.e. Cathay's English on Air project to improve English skills of students (Appendix 5). We also consider it to be important to support various charities, sports and cultural events.

What we found to be positive is that, in addition to supporting local communities, several airlines as well as their employees are actively involved with international

charities to support impoverished communities. Such charities normally deal with health care, human rights and education. For example, Lufthansa's Cargo Human Care, a charity set up by employees engages in medical aid in Africa (Appendix 7).

Noise produced by take-off and landing affects not only people living near airports, but wildlife as well. Airlines should invest in aircraft which belong to the quietest category and employ noise reducing take-off and landing methods.

7.1.3 Employment

Employment issues seem to generally concern personnel development. As we found out, airlines wish to improve their human resources capacity by providing employees with the right tools, training, career development possibilities, proper work-life balance and by ensuring equal opportunities, integration and non-discrimination. We consider focus on employment issues to be important, due to the high contribution of business staff to the overall business process. Therefore, due to the expense of hiring and training completely new employees, airlines should try to retain and develop existing work force.

An excellent example was provided by Air France, which spends 10% of wage costs on continuous training, personal development and career advice for its personnel, while the legal minimum in France is 1.6% (Appendix 1). Lufthansa on the other hand offers degree programs for its most able employees (Appendix 7). Especially Air France-KLM and Lufthansa are good examples of promoting personal development through job mobilization programs that allow employees to gain professional and international experience by working abroad.

Several airlines also promote programs that encourage diversity and equal opportunities. Although most such programs, i.e. hiring disabled persons, minorities and elderly are required by law, some companies make better efforts to help women

and minority to advance in their careers. Such actions are necessary to ensure a positive, modern and tolerant work place.

Lufthansa and ANA promoted work-life balance issues in the CSR reports. ANA encourages workers to review their working hours, to find the best possible working methods for most employees (Appendix 2). Lufthansa offers its employees flexible working hours and unsupervised flexitime, which is based on mutual trust (Appendix 7). Both companies also provide help with day care for children and elder care.

7.1.4 Customer service

In most cases customers have the option to choose between the services of several airlines. Therefore, airlines have to provide more than just lower prices in order to attract customers. The customer service process requires continuous evaluation, monitoring and development. Thus, most airlines reviewed focus particularly on improving their services through feedback from customers.

In order to improve customer service itself, airlines should offer services that make customer experience more comfortable and less time consuming. Therefore good ways to speed up the process are such things as e-ticketing and online check-in, among other things. A positive sign of a move forward in this respect is “smart boarding” from Air France-KLM (Appendix 1), which allows passengers to board independently through fingerprint identification. Other customer service features can be, for example, to offer customer meals without harmful ingredients or additives or providing special service, such as help with disabled customers or unaccompanied youth.

7.1.5 Suppliers

Another important stakeholder of an airline is suppliers, which are often encouraged to commit to the responsibility plan of an airline. Because airlines have nego-

tiation power, suppliers have to adapt changes in the business such as sustainability. To ensure responsible procurement, products and services resulting in customer satisfaction, suppliers have to move their business practices towards sustainability. Airlines are, rightfully, increasingly demanding that their suppliers adhere to CSR principles as well. For example, by 2012, British Airways will audit all of its suppliers regarding their ethical practices (Appendix 4).

7.1.6 Safety

We consider safety measures to be one of the most important areas of airline business, concerning customers as well as employees. Therefore various systems should be implemented to support safe business operations. In order to ensure work safety, trainings supported by risk management systems should be implemented. Key performances should be regularly measured and improved according to the legal requirements by internal and external auditors. Most airlines, i.e. Qantas (Appendix 8), have risk management systems which give employees the opportunity to report mistakes, risks and near misses.

7.2 Suggestions for outline of CSR program

Structure

Firstly, a CSR program presentation has to be placed in such a place where it can be easily accessed by all those interested in viewing it. Because of the sheer amount of information contained by a detailed CSR program, it is important to have a clear structure, which is easy to understand for all stakeholders. The presentation should also contain information related to each stakeholder of the airline.

The program presentation should be sectioned regarding the main focus areas of the airline's CSR program. Such focus areas could be i.e. overall business, environment, community, safety, human resources and customers. The program

should start by introducing the company, its main business idea and current operating environment. Also the overall strategy of the company should be clearly stated as well as some important basic facts about the company i.e. financial information, personnel information and service information.

Presentation style

The style of presenting the program has to be such that it is easy to understand and read through. Statements given should be based on factual information that are sourced somewhere in the program. If certain things are stated as fact in a general way i.e. “the company supports various charities”, specific examples have to be given.

Whenever stating a goal of the company i.e. “we will continue to reduce emissions”, the exact extent and time range of this goal has to be presented i.e. “We have reduced emissions by 10% since 2005, and plan to reduce a further 10% by 2012”. Also, goals stated have to be realistic and evidence for their plausibility has to be presented in one form or another.

Problems should also be addressed and discussed honestly, as it should increase the credibility of the program in the eyes of the reader. Consequently, solution and deadlines for admitted problems should be provided so that the reader can see that the company takes the problem seriously.

Also, the reader should be given as much information on the topic as possible, including detailed statistical information from the past 5-10 years to give a good overview of the situation. When presenting a chart or table, reasons for fluctuations should be given. For example, if the overall emissions since 2008 have decreased, it should be stated that this is also a cause of reduced air traffic.

8 CONCLUSION

In the recent years the importance of CSR has been increasing immensely in the airline industry. Although in many aspects airlines are still behind in comparison to other industries, it has been made apparent that environmentalism and social responsibility issues will only increase in importance in the coming years and decades.

Through the theory discussed in chapters 2 to 6 we give the reader an overall impression of CSR, its benefits as well as its role as a part of a company strategy. We are of the opinion that implementing a sustainable business strategy ultimately leads to competitive advantage. Moreover, the importance and role of stakeholders related to the airline business were discussed.

The practical part, chapter 7 overviews CSR programs of chosen airlines; Air France-KLM, All Nippon Airways, American Airways, British Airways, Cathay Pacific, Delta Air Lines, Lufthansa and Qantas. In addition, we discussed the importance of particular CSR topics for the airline industry in general. Also, we suggested which topics, actions and communication style should be considered by airlines when creating a CSR program.

With this thesis we believe that we manage to give the reader a good overall idea of the current situation of the airline industry and its future regarding sustainability.

Throughout the working process we were able to get a good overview of responsibility business practices and the impact CSR on the airline industry. Surprisingly there are tremendous differences in reporting practices and CSR focus points between different airlines. Although the idea that airline industry contributes dramatically to global CO² emissions has been widely publicized in media and by certain environmental activist groups, surprisingly the portion of global emissions released

is not higher than 2-3%. We find it surprising that airlines face so much pressure to be environmentally friendly although the actual contribution is rather small.

We found the thesis topic to be quite interesting because of the increasing visibility of environmental and social issues in today's media and business world. In retrospect we have to admit that drafting timetables and sticking to deadline is essential. We encountered several problems along the process, such as finding appropriate information, structuring the thesis, choosing the issues which need to be addressed and trying to make the thesis look like one consistent piece of work.

The practical part of our thesis is based on information given by the chosen airlines either in CSR reports or on the company's web sites. Most of the airlines we have chosen and discussed provide the reader with a broad variety of information about their CSR actions which need to be considered carefully. Airline business as any other business is striving for success; therefore airline operators will praise their own company in order to be competitive, regardless of the truth. Going through the reports we got the impression that all airlines seemed to do everything correctly and efficiently regarding CSR, but there is no real proof for it. Because we did not use outside information besides the airlines web pages bias is likely to occur, leading to a rather one sided view of airlines' CSR programs.

Obviously, taking the latest news into consideration as well, many actions stated in the reports are either exaggerated or not true. In this respect a lack of reliability needs to be taken into consideration when reading the practical part of our study.

Through working on the thesis we learned to look for valuable information, interpreting it and how to make different topics relate to each other in order to create a coherent research paper.

Overall, we were both very interested in the topic chosen and even though plans changed and deadlines were extended, we are both content with our choice of topic.

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Air France-KLM

Air France and KLM merged in 2004 to form Air France-KLM, a holding company which comprises of both airlines as individual subsidiary companies, which both retain their original brands and identity. However, since the companies are under the same ownership, they will be reviewed under the same headline. The group is the biggest airline in the world in terms of revenue (€24.1 billion in 2007-2008) and second largest in terms of air traffic (passenger-km). They have routes to 244 destinations in 105 countries. Air France and KLM operate from their hubs at Paris' Charles de Gaulle and Amsterdam Schiphol respectively. Air France-KLM serves 114 long-haul destinations, and has the most extensive network comparing to its leading European competitors. The group employs around 107,000 people as full-time employees (Air France-KLM).

CSR at Air France-KLM

Air France-KLM released its first CSR statement in 2006. It was followed by adoption of a climate action plan in 2007 and the signing of Social and Ethical Charter with the European Works Council in 2008. Air France and KLM have their own departments for CSR, but are working closely together to ensure that CSR is an integral part of Air France-KLM. Descriptive of Air France-KLM's commitment to CSR issues is made apparent by the numerous ratings and awards it has received. Air France-KLM is the only airline to have been selected "super sector leader" in the Dow Jones Sustainability Index in 2008, and the only airline to be introduced on the "Global 100". DJSI includes some 10% of the most efficient enterprises from a total of 2,500 companies in 22 countries. Global 100 is a list comprised by Corporate Knights, a Canadian based global CSR magazine that yearly ranks 100 companies most committed to sustainable development. Air France-KLM focuses on four key areas of sustainable development. These are; combating climate

change and minimizing environmental impacts, building sustainable customer relationships, promoting responsible human resource policy and driving local development (Ibid.).

Climate change and environment

Air France-KLM is pursuing initiative that can help it reduce CO² emissions in all areas of activity. The airlines tackle these problems by partaking in political action, improving fuel efficiency and investing in research and development, optimizing ground operations and reducing waste, investing in environmental projects and engaging their customers (Ibid.).

Air France-KLM is actively collaborating with various organizations with an aim to bring about a global emission scheme. Air France signed the Air Transport Sector Commitment Agreement as part of the Grenelle Environment Summit. The deal requires Air France to reduce emissions in domestic flights by 5% and increase fuel efficiency of all flights by 7% by 2012. The group is also jointly pursuing the implementation of Single European Sky, an initiative which would streamline airport and air traffic control operations (Ibid.).

The group is expecting to invest €6.5 billion during the next 5 years in fleet renewal. Air France and KLM have both their own fuel efficiency plans in place, called “Fuel Action Plan” and “Weight and Fuel” respectively. The Fuel Action Plan aims to reduce Air France’s CO² emissions, 17.3 million metric tons in 2008, by 350,000 metric tons per year from 2012 and 500,000 metric tons per year from 2020. KLM on the other hand plans to reduce its emissions by 1% annually by reducing dry weight of aircraft and improving fuel efficiency. Air France-KLM aim to achieve these targets by renewing fleet, reducing weight of on-board equipment,

optimizing fuels loads and adopting fuel efficient measures, such as optimum flight speed, continuous descent and taxiing with one or two engines running. Through these actions, they increased their fuel efficiency by 12% since 2000. In addition, Air France-KLM is actively participating in organic fuels research. In September 2008, Air France and KLM signed a charter of Sustainable Aviation Fuel Users Group, which aims to develop an alternative to kerosene that does not compete with food or water. The current focus of the research is on algae and Jatropha plants. KLM supports the CleanEra project run by Delft University of Technology in the Netherlands. Their aim is to develop a new type of aircraft which would be 50% quieter and cleaner than current aircraft (Air France-KLM).

The group has a number of measures in place to maximize energy efficiency of their buildings and ground equipment. Air France and KLM are fitting solar panels on their buildings, and already since 2009, 100% of the electricity used by KLM buildings in the Netherlands come from renewable sources. Air France, on the other hand is aiming to have 60% of its ground equipment electrically powered by 2020. Air France and KLM are also focusing on recycling and reduction of paper and catering waste, waste at airports, and deicing and cleaning products. KLM, for example, does not have newspaper trolleys on short-haul flights and is looking into generating energy from catering waste (Ibid.).

Air France is providing GoodPlanet €5 million to protect 500,000 hectares of forest in Madagascar. KLM is providing financial aid to various projects and is also part of the Dutch Biodiversity and Natural Resources task force, which promotes the preservation of biodiversity and sustainable use of natural resources. Since 2007, customers of the group have been able to use CO² calculator and are also being offered the possibility to offset the CO² emissions of their journey, i.e. Air France's

offsetting scheme involves production of “green coal” from agricultural waste in Senegal and the distribution of biogas reservoirs in China. Customers are also surveyed about CSR issues, to discover new focus areas. In-flight magazines and movies also include information about CSR issues to raise customer awareness (Ibid.).

Customer relations

Air France and KLM are both striving towards exemplary customer relations by providing a level of customer service and comfort that ensure customer loyalty. The group is focusing on safety and security, meeting customer expectations and involving customers with the CSR program. Customer safety is the primary concern of both companies. Pilots are required to attend an 8-month training program after joining Air France or KLM and spend over 4% of their work time in training. 60% of cabin crew’s training focuses on security. Air France-KLM ensures that it meets its customers’ expectations by using tools such as customer surveys and mystery shopping. The group provides customers the latest services, such as e-ticket, on-line or e-kiosk check-in and “smart boarding”, a personal smartcard that allows secure passenger boarding through fingerprint identification. They also offer personal service to unaccompanied minors and disabled persons (Ibid.).

Human resource policy

Despite the 2008-2009 economic crisis the group opted to freeze hiring. These measures lead to only a 2.5% personnel reduction, without lay-offs. Air France-KLM also focuses on personal development of their staff by offering personalized career advice, training and encouraging job mobility within the group. Training at Air France accounts for around 10% of wage costs, far higher than the 1.6% legal

minimum. In work safety, Air France has also been doing tremendous work on improvements, having reduced the number of industrial accidents by over 40% since 2005, and plans to decrease this figure further. To foster diversity, Air France-KLM is pursuing a social policy of integration through employment, respect of equal opportunity and prevention of discrimination. To achieve this, the group focuses on providing extra training and better opportunities for women and seniors. Moreover, Air France aims to meet the legal requirements for employing disabled people (min. 6% of workforce). Unfortunately, Air France only employs 1,500 disabled workers, which is 3.4% of workforce. However, Air France is investing €9 million in increasing awareness and training disabled employees in 2009-2011 (Ibid.).

Local Development

Air France and KLM are respectively involved in the Environmental Advisory Committees and the Schiphol Review Board, to maintain dialogue on environmental and noise issues. Both airlines in the group are engaging in dialogue in the local communities in which they operate to discuss various subjects such as local sustainability and economic development, and improving public transportation to airport in order to reduce local traffic and pollution. Air France and KLM have also created partnerships with local educational institutions for internships and apprenticeship and are focusing on using local suppliers when possible (Ibid.).

Air France-KLM's funding of humanitarian programs in 2008-2009 amounted to €10 million. This aid went to combating HIV/AIDS, and funding elementary schools and orphanages. The group is also trying to encourage their staff to get involved in humanitarian programs and in 2009 KLM opened Volunteer Plaza, a website where staffers involved with volunteer work can socialize and share experiences. The group is also actively involved in skills transfer, educating staff in Mali,

Senegal and Gabon on security, ground handling and modern computing through a program called AIDA (Assistance, Investment and Development in Africa) (Ibid

Air France-KLM. 2008/2009 Corporate social responsibility report.

<http://www.airfranceklm->

[finance.com/sysmodules/RBS_fichier/admin/download.php?fileid=1144](http://www.airfranceklm-finance.com/sysmodules/RBS_fichier/admin/download.php?fileid=1144) (Accessed on 11 May 2010)

All Nippon Airways



All Nippon Airways Ltd. (ANA) was founded in 1952. It is Japan's second largest airline and third largest airline in Asia, by passengers carried. It is headquartered in Tokyo, Japan and operates from hubs at Tokyo, Narita, Kansai and Osaka airports. ANA operates 49 domestic routes and 35 international routes, serving around 50 million customers annually. It is part of Star Alliance. In 2009, ANA created annual revenue of ¥1.4 trillion, or €12.1 billion, and employed over 14,000 employees (All Nippon Airways).

ANA has released a CSR report annually since 2005. ANA has developed a management system that serves as a platform for CSR activities. This ensures that the decision making process regarding CSR issues are affected by internal audit and CSR committees. Their CSR report focuses on five main themes; safety, environment, customer satisfaction and employee satisfaction (Ibid.).

Safety

ANA has created a safety management system (SMS), to ensure that all employees from top management to front line work as one to achieve safety objectives. Under SMS, internal systems are created to maintain and enhance safety objectives. The goal of SMS is to achieve ever higher safety through compliance with law and fostering of a safety orientated corporate culture. Main features of SMS are adherence to legal requirements, risk management, reporting of accidents and "near misses" as well as addressing human error, education and training and internal and external safety audits (Ibid.).

Environment

ANA states that it will actively help solve global environmental problems. A part of ANA future vision is to become one of the world's leading airlines in environmental terms. To do this ANA focuses on fuel efficiency, recycling, reduction of hazardous materials and supporting environmental projects (Ibid.).

In order to reduce fuel consumption, ANA focuses on several areas of development. ANA tries to reducing on-board weight by reducing the number of in-flight magazines, amount of water carried, introducing light-weight containers and reducing weight of in-flight tableware. Investing in fuel efficient fleet is also a focus of the company and it has ordered 50 Boeing 787 aircraft and 25 Mitsubishi Regional Jets, which improve fuel efficiency by 20% and 40% respectively. Implementing energy efficient flight methods allow savings without much investment required. At ANA, these methods include the use of new navigation software to optimize routes, promotion of continuous descent methods and reduction of thrust reverser use (which slow aircraft down in descent) and taxiing with partial engine shut-down. Other issues include improved aircraft maintenance and engine washing, and saving fuel through increase use of simulators in training process (Ibid.).

ANA also recycles in-flight magazines, timetables and other documents, as well as old staff uniforms, which are returned to their original form of fiber and reused as automotive sound-proofing material. In order to reduce hazardous waste, ANA processes discharged water on site, reduces use of antifreeze and deicing agents and started using eco-friendly substances in paint removal process. In addition ANA also supports various environmental projects, such as projects aimed at increasing people's environmental awareness and forestation projects around Japanese airports (Ibid.).

Customer satisfaction

ANA has established a system to improve the quality of its products and services. Under the system, customer service promotion division compiles customer feedback and suggestions from surveys and customer desk, as well as suggestions from frontline staff into reports in order to identify problem areas. In 2008, 58,874 such reports were prepared. Issues from these reports are identified and analyzed, improvements formulated and implemented and customer feedback is again collected. According to ANA, this system ensures uninterrupted development of highest customer service standards (Ibid.).

ANA has also a system of customer support called “Sky Assist Desk”, which discusses customer needs ahead of time and provides special assistance to customers with disabilities or mobility difficulties, or customers who, due to health issues, need to take a flight lying down (Ibid.).

Employee satisfaction

ANA believes that a healthy productive work place that values the skills and abilities of all its employees is the main engine of growth. ANA tries to create energetic and productive work places and support a good work-life balance.

In order to ensure that its employees can have a good work-life balance, ANA asks its employees to review their own working hours. Through these measures ANA wants to encourage optimal working times, be it rigorous or flexible working hours or even telecommuting. To raise the awareness of work-life balance issues, ANA hands out informational pamphlets and offers seminars (Ibid.).

ANA wants to reward and nurture people who can deliver safety, operational performance and support globalization. Therefore, the Human Assets Investment Strategy was launched. Under this strategy, ANA invests in training, education and motivation of its personnel with a focus on safety, innovation and globalization. Moreover, ANA supports diversity by providing career consultation especially for women and supporting employment of the elderly and disabled persons (Ibid.).

All Nippon Airways. CSR Report 2009.
http://www.ana.co.jp/eng/aboutana/corporate/csr/report/pdf2009/webCSR2009_all.pdf (Accessed on 17 May 2010)

American Airlines



American Airlines (AMR) is based in Fort Worth, Texas. Formed in 1930, it is the world's largest airline measured in passenger-kilometers flown and 3rd largest in passengers carried, carrying over 85 million passengers annually. AMR flies to over 250 destinations in 50 countries and has several hubs, including Dallas/Fort Worth airport, John F. Kennedy airport in New York, Miami airport and O'Hare airport in Chicago. AMR generates €19.2 billion in annual revenue and employs around 84,000 persons (American Airlines). AMR has only released one CSR report, which is for 2008. Their CSR report focuses mainly on environment, employment and diversity, and communities.

Environment

AMR emitted around 29 million tons of CO² in 2008. In order to reduce those emissions, AMR has been focusing on finding ways to reduce fuel, energy and material consumption by setting up special Fuel Smart and Utility Management teams to tackle the problems. For example, in 2008 alone, Fuel Smart team's solutions reduced fuel consumption by 4%. These solutions have not been specified in the report, but one method has been to reduce on-board weight, saving the company \$31 million annually. The company is also trying to reduce materials used by its operations, i.e. paper, by eliminating paper ticket jackets and using online or electronic documentation. In 2007, the company also started reporting their use of ozone depleting substances, and aims to reduce their use drastically. What is particularly notable about AMR's report is that it aims to enclose as much detailed information as possible, i.e. about amount and type of waste generated (Ibid.).

Focusing on fleet renewal and supporting the research of renewable fuel programs is a big part of AMR environmental strategy. AMR is working with Commercial Aviation Alternative Fuels Initiative, which includes companies, organization and government bodies, in order to develop an environmentally friendly alternative fuel that can be directly blended with kerosene. Like many other airlines, AMR hopes that upgrading its fleet with the upcoming Boeing 787 can help it reduce CO² emissions more drastically (Ibid.).

Employment and diversity

AMR values experience; people with more than 15 years of work experience at AMR account more than 59% of all of its employees. AMR has a turnover rate ranging between 8-10%, far below the US average of 21.6% in 2008. The company focuses on retaining its employees by offering training and career opportunities within the company. AMR launched the Partnership for Safety initiative, which is based on collaboration between management, unions and employees to ensure safety at work. Due to this initiative and information gained through employee feedback, AMR has managed to reduce the number of lost work cases by 21% since 2004 (Ibid.).

Diversity is another key issue of AMR's employment policy. It believes that in order to succeed in global competition, the company must embrace diversity and adapt as part of HRM strategy. AMR has set up internal systems, such as a diversity committee, to ensure that diversity is real and measurable. Currently 40% of employees are women and 32% ethnic minorities. AMR also encourages diversity within their suppliers and partners (Ibid.).

Communities

In addition to creating jobs in communities around its hubs, AMR participates in several national and foreign projects. In 2008, AMR donated over \$28 million in cash and other support to hundreds of NGO's. It also founded The American Giving Employee Charitable Fund Inc in the late 90's to encourage employees donate to charitable projects. In 2008, it collected over \$635,000 worth of donations. Moreover, in 2004, AMR launched American Advocates, a volunteer organization which has over 10,000 volunteer employees. In addition employees of AMR have launched their own organization. These include such organizations as Airline Ambassadors International and Medical Wings, which deliver medical equipment, medicine, food, clothing and school supplies to children and communities in need, and Something mAAgic Foundation, which focuses on making wishes of children with life threatening illnesses come true (Ibid.).

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British Airways

British Airways (BA) is the biggest airline of the United Kingdom and was formed on September 1st in 1974. Its company is based in Britain's two main airports, Heathrow and Gatwick, serving 300 destinations in 75 countries all over the world. Over 33 million passengers have been transported in the financial year of 2009 whilst making 9 billion pounds in revenues. As a part of the world's leading airline alliance One World and a contractor with American Airways, BA is on its way to achieve its long term vision of 2010 to become the world's leading global premium airline. The overall strategy and objectives today are pulling through the crisis and preparing the business for better times. In order to create a really high-performing business, BA aims to build an inspiring and rewarding workplace where employees can work to the best of their abilities to meet customer needs and the wider social responsibility (British Airways).

CSR at British Airways

British Airways started their travel towards a sustainable business in 1984 discovering that their customers love to fly but were concerned about the impacts on the environment. Therefore changing to services that are less harmful for the environment was inevitable. One approach to a more sustainable business is offering ways to customers to offset their emissions. BA was the first airline operator that voluntarily introduced a passenger offset scheme in 2005 and also the first airline operator whose offsetting scheme got assured by the government. Projects that are currently supported by the offsetting are a Bayin'aobao wind farm in Inner Mongolia as well as investing in renewable wind power in China leading to the well being society, economy and the environment (Ibid.). By launching their One Destination corporate social responsibility strategy at the

end of last year another step towards facing the climate change has taken place. According to British Airways' head of environment, Jonathon Counsell, flying and protecting the environment has always been a paradox. Therefore the main goal of British Airways in the upcoming years is to minimize the overall environmental impact and consequently let customers enjoy flying without having a bad conscience. Reducing the overall carbon output through sustainable technologies is inevitable in the future to ensure a successful and environmental friendly business (New energy world network).

BA is continuously working on research in new technologies, invest into practices against deforestation, develop new operating procedures to reduce noise and provide additional recycling facilities on ground and on board. As a support system for their mission and company goals BA developed a strategy on how to achieve the former mentioned objectives. Discussed below, the approach combines all areas of the organization and is divided into four main pillars; environment, community, marketplace and workplace (British Airways).

Environment

Starting in 1992, as the first airline to report on their environmental impact, BAs' main focus areas comprise of minimizing the impact through efficient operations as well as through latest technology such as airframes, engines and alternative fuels, combined with a reflection process on BAs' environmental impact through emissions trading (Ibid.).

As their main goal across the former mentioned areas BA's first pillar aims for zero waste to landfill in 2010 by using incineration with energy recovery, improving the carbon efficiency by 25% until 2025, reducing the average noise per flight by 15 %

as well as a 50% reduction in their net CO² emissions until 2050 through operating efficiencies, adoption of technologies and carbon trading. The level of waste recycling so far has improved up to 35% and is aimed to reach 50% by 2050. A comprehensive program will make sure that the overall goals such as climate change, waste, noise and air quality will be achieved in the future. Because of constant monitoring, measuring and reporting on their reduction processes of the carbon footprint, BA has been awarded the Carbon Trust Standard award in 2009. There will be many more to follow (Ibid.).

Community

The second pillar of BAs' strategy concerns the community. BA strongly believes in supporting local communities and consequently puts their main focus point on education and youth development, supporting their colleagues, environment, sustainable tourism and heritage. Many staff members are involved in the community service and directly supported by BA. Besides fund raising and the local community development BA is involved in global community and conservation activities through free flights, excess baggage, complimentary carriage of cargo and the donation of merchandise which has helped projects around the world such as orphanages, hospices, old people's homes and animal sanctuaries (Ibid.).

During 2008/2009 over 120 community and conservation projects have been supported and 5.4 million pounds in-kind charitable donations have been made. By streamlining their activities through the founded organization OneDestination, the work with partners such as Kew Gardens and UNICEF has raised millions of pounds to do good where it counts. Change for good which is a project in collaboration with UNICEF raised over 1.3 million pounds in 2008/2009 donated by customers and employees (Ibid.).

Marketplace

The third pillar of BA's strategy concerns the overall marketplace. Customers and suppliers are encouraged to commit to corporate responsibility to build a more sustainable business. Responsible customers, responsible procurement as well as sustainable products and services throughout the supply chain are the main focus points named by the company. Customers will get opportunities to participate in recycling processes as well as offset their travel related carbon emissions. To ensure that all passengers commit towards the carbon offsetting, BA is striving towards an easy handling of carbon offsetting when purchasing a ticket. Therefore contributions per passenger are automatically calculated based on the overall volume of carbon dioxide that is produced purchasing a certain flight distance. Suppliers will continuously be provided with new information, and supply chain processes will be reorganized in a sustainable way. By listening to customers as well as suppliers and operating according to their needs and wants BA addresses three main goals to achieve in the near future. By 2012, British Airways aims to have encouraged 10% of customers to offset their carbon emissions. By the same deadline, 100% of BA's strategic suppliers will be audited regarding their ethical practice and 75% of corporate customers are aimed to use corporate responsibility as decision criteria (Ibid.).

Workplace

The fourth strategic pillar addresses the workplace. BA strives for a workplace that motivates, engages, supports and develops employees. Commitment of all staff members to corporate responsibility is considered to be the main goal. To achieve a better working environment the main focus areas deal with responsible colleagues, improving tools to do the jobs and investing in people through improved training (Ibid.).

BA introduced their flagship program compete 2012 which supports the airline in their goal to become the leading premium airline. The program focuses on customers, colleagues, partnerships, performance and excellence. The goal is to increase the number of staff members donating to charities up to 50%, increase the number of colleagues that donate time to charities up to 50% as well as the commitment of 75% of BA's staff members to corporate goals by 2010.

Actions taken to support the workplace are, i.e. 215 training days during the year that have taken place as well as an introduction of a reward system for good work performances of the staff. BA will recruit more CSR ambassadors and take actions to increase the awareness of a necessary sustainable business (Ibid.).

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Cathay Pacific

Cathay Pacific Airlines was founded in Hong Kong on September 24th in 1946. With over 20,000 employees solely based in Hong Kong the company is offering services to over 114 destinations in over 35 countries around the globe. During the first six months of 2009 nearly 12 million passengers have been transported by Cathay Pacific and its wholly owned subsidiary Hong Kong Dragon Airlines Limited (Dragonair), resulting in a profit of 812 million dollars during that time. Cathay Pacific is also a founding member of the global alliance One World that is serving over 700 destinations around the world. Today's vision of Cathay is to become the world's best airline by striving to excel everything Cathay Pacific does. To achieve this vision Cathay will ensure that safety comes first, a winning team is built to provide outstanding products and services, to show commitment to their home in Hong Kong as well as to be socially and environmentally responsible. Involving the stakeholder group is therefore one good approach Cathay takes to identify the social and environmental impacts on the business (Cathay Pacific).

CSR at Cathay Pacific

Not only during the past years was sustainability an important topic at Cathay Pacific. Besides many other actions the airline started changing to a more efficient fleet ensuring a fuel-efficient business in the early years of CSR. Despite many other acknowledgements Cathay recently received a bronze award for its transport and logistics sector for environmental excellence. Besides contributing to the community especially around Hong Kong, Cathay Pacific has sponsored computers and English courses to students to improve their overall skill and knowledge level and continuously worked on sponsoring humanity projects all over the world. Inside the company, Cathay is continuously working on nurturing a new

generation of pilots as well as supporting the staff worldwide whilst constantly reviewing human resource legislations (Ibid.).

Winning the airline of the year award in 2009 held by SKYTRAX, Cathay Pacific is on its way to achieve its goal of becoming the world's best airline in the future (SKYTRAX).

In order to improve the overall sustainability and contribution towards a responsible business, Cathay is mainly focusing on the areas of environment, safety, business and community, further explained in the following chapter (Cathay Pacific).

Environment

In the environmental segment Cathay considers the use of non-renewable fossil fuels and therefore a high pollution of the air as the highest impact of their business. In order to face this issue the company focuses on changing the aircraft fleet to cut down emissions and contribute to cleaner air. Since 1989 8.4% of pollution has been reduced by focusing on technology, operations, infrastructure and economic measures for emissions reduction. The targets in this aspect are a reduction of carbon emissions by 1.5% each year until 2020, a cap on CO² emissions from 2020 and a reduction in net CO² emissions of 50% by 2050. These goals are supported by an improved route planning system, the identification of sustainable fuels and the usage of new technologies and aircraft. Cathay has introduced its 'Fly greener' carbon offset scheme in 2007 which enables passengers to use Asia miles or cash payments to offset their emissions whilst funding different projects to anticipate the climate change (Cathay Pacific).

After CO² emissions the second biggest impacts of Cathay's business on the environment are waste, noise and water consumption. Therefore Cathay focuses on the recycling of in-flight waste and replacing inefficient vehicles on the ground

and in the air. All these actions ensure a more sustainable business for the future (Ibid.).

Safety

Safety is Cathay's number one priority. Therefore flight safety, security and health issues are taken seriously by planning detailed actions to increase the overall flight quality for the passenger. In addition to an ongoing observational audit program, a safety management system ensures the right safety measures in a worst case scenario. So far there have been no accidents in the operational years of Cathay Pacific and Dragonair flights (Ibid.).

Business

The overall business practices range from aircraft fleet, catering services to ground handling services with the overall target of customer satisfaction. Therefore Cathay's major impacts concern consumer issues, supply chain management and employee concerns. Hence actions are developed in respect of Cathay's responsibility to meet the needs of the former mentioned. Only customer friendly products are used without chemicals that might be harmful to the customer. A Reflex passenger survey is constantly measuring customer satisfaction in order to respond and develop better business practices. Using different channels of communication Cathay is communicating their sustainable development approach across all stakeholders (Ibid.).

Furthermore a renewed Code of Conduct for suppliers has been introduced in 2009 which favours socially and environmentally responsible suppliers. To ensure business practices that are carried out to the best of their abilities Cathay Pacific puts a high emphasis on training and developing employee skills. Only if the work

staff is committed to the sustainable development program and has the ability to act according to it, will the strategy be successful (Ibid.).

Community

The contribution to the community is done through the core business of Cathay Pacific that supports the entailment of communities inside and outside of Hong Kong. Recruiting and training local staff, supporting local businesses as well as participating in several charities are focus points in this area. In their community investment Cathay continues to connect their activities with aviation, education, medical care and the environment. Current flagship programs are I Can Fly, which supports the understanding of the aviation business by young people, and English on Air, where students are able to improve their verbal English skills by communicating with Cathay's multinational pilots. Many more projects locally as well as internationally are supported by Cathay Pacific to contribute to a better future of humanity (Ibid.).

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Delta Air Lines



Founded in 1928 in Louisiana, USA, Delta Air Lines is a provider of passenger traffic in the United States and around the world. With headquarters in Atlanta, Georgia, its network is centered around airports of Atlanta, Cincinnati, Detroit, Memphis, Minneapolis/St. Paul, New York-JFK, Salt Lake City, Paris-Charles de Gaulle, Amsterdam and Tokyo-Narita, each ensuring flexible flight traffic around the hubs. Besides being an alliance partner of the global alliance Sky Team, Delta is in a transatlantic joint venture with Air France KLM. Serving over 160 million passengers each year and offering its service to more than 358 destinations in 66 countries, Delta Air Lines is the largest airline in the world. Delta's revenues in 2009 exceeded the 28 billion dollar mark which makes it one of the most successful airlines around the globe (Delta Air Lines).

CSR at Delta Air Lines

In order to do global good Delta undertakes various actions to make a difference in communities where they live and work. Partnering up with employees, vendors, customers, civic and non-profit organizations Delta makes an impact on their surroundings. With the help of the former mentioned Delta was able to decrease its greenhouse gas emissions from 0.245 to 0.19 million metric tons in 2007. Furthermore old menus have been exchanged with new ones printed on recycled paper with soy ink. Recycling plays an important role in the company's business. With the help of the in-flight recycling program 193 tons of materials have been collected and recycled so far. By replacing older fuel-inefficient airplanes Delta was able to improve its fuel efficiency since 2000. Furthermore the airline has deployed over 1,200 electric ground service vehicles to further lower their carbon footprint and reduce the overall pollution. There is much more planned and expected from Delta in the future (Ibid.).

The main topics approached by the airline deal with advancing global diversity, improving global wellness, improving the environment and promoting art & culture and are discussed below (Ibid.).

Global diversity

Delta is very proud of the company's diversity by embracing the planet's multiple cultures, ways of thinking as well as styles. Therefore people of all languages, ethnicities, cultures, gender identification, races, ages, sexual orientation, educations, religions, work experiences, family status, capabilities, political views, geographical and regional identification, values, skills, personalities, education, citizenship status, socioeconomic backgrounds, community memberships and even communication styles are part of the company culture. This cultural diversity leads to a valuable business in return. To support its goal Delta is sponsoring organizations such as The United Negro College Fund and the Dr. Joseph Lowery Scholarship at Morehouse University (Ibid).

Global wellness

In order to meet their goal of global wellness, Delta supports organizations within their local communities that focus on health and wellness. The work ranges from a betterment of the overall research procedures and education on the matter, to bettering life conditions and therefore enhancing the life value for a person. This is due to the relentless effort of employees and customers. The Breast Cancer Research Foundation, Habitat for Humanity and UNICEF are just three of the many projects Delta Air lines supports (Ibid).

Improving the environment

Improving the environment by conserving resources, supporting alternative fuels research and engaging employees and customers through initiatives such as carbon offsetting and recycling plays an important role in the company's strategy. Becoming the first US airline that introduced a carbon offsetting scheme Delta continuously strives for a better and environmental friendlier business. Therefore cutting emissions is inevitable. The two major environmental actions the company is focusing on right now are in-flight recycling and aircraft carpet recycling. Through recycling aluminum, plastic and mixed paper from domestic flights the in-flight recycling program has funded two Habitat for Humanity homes in 2009. By continuous recycling of 1 million cans per month on average, Delta has a good chance of achieving the same in 2010 (Ibid.).

Its aircraft carpet recycling program has diverted 221,000 pounds of worn aircraft carpet since 2007. In collaboration with the Nature Conservancy, Delta has donated 1 million dollars in the last three years to land acquisition, reforestation and carbon monitoring projects (Ibid).

Promoting art and culture

Because inspiration and the ability to express oneself leads to great results, Delta actively supports community organizations, museums and exhibits that enlighten people to better themselves. Current partnerships include the national black art festival, the Atlanta symphony orchestra, the high museum of art and many others. Because of their great work Delta received the Corporation of the Year award from the Georgia Association of Museums and galleries in 2010. But this is just one of the awards the company has received over the past years (Ibid.).

Carbon emissions

Besides the former mentioned focus points Delta highly focuses on the reduction of carbon emissions. The airline therefore launched a carbon emissions policy that supports fuel efficiency as well as the reduction in CO² emissions. The main goals and commitments in this area are operating wisely to conserve resources and minimizing its impact on the environment through given technology and infrastructure whilst continuing to serve customers and employees. Delta supports the International Air Travel Association (IATA) and strives to achieve its overall goals to improve the annual fuel efficiency by 1.5%, carbon neutral growth beginning in 2010 and 50% reduction in CO² emissions in 2050. Therefore the support of new technologies and flying routes is inevitable to achieve the former mentioned goals (Ibid.).

Water conservation

Delta is taking a leading role in water conservation. Water efforts undertaken by Delta ensured a reduction in water consumption by 50% at the operational centre in Atlanta. For its actions Delta received the Fox McCarthy Water Wise award in 2005 that recognize its leadership in water conservation. More reduction is planned in the future that will lead up to 80% of water savings in the Atlanta area (Ibid.).

Noise

Aircraft create noise which highly affects the environment. In order to lower the noise Delta has upgraded its fleet and is now using two different take-off methods; one that decreases the noise for neighborhoods and one that decreases the noise away from surrounding communities. At present 70% of Delta's aircraft meet a stage 4 criterion which is the quietest aircraft category. In 2007 Delta received a

Skyliners award presented annually to noise conscious airlines by the Manchester airport (Ibid).

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(Accessed on 15 May 2010)

Lufthansa



The German airline Deutsche Lufthansa AG, or more commonly known as simply Lufthansa, is one of the biggest airlines in the world. It was originally started in 1926, but was discontinued after WWII, continuing operation in 1954. The Cologne-based company has its primary hub in Frankfurt Airport and carries around 76 million passengers annually to 202 destinations world-wide. It is the 5th biggest airline in the world and 2nd biggest in Europe after Air France-KLM. Lufthansa's air traffic operations create €20 billion in annual revenue and it employs around 108,000 people (Lufthansa).

Lufthansa corporate social responsibility policy is defined by its Sustainability Board, which is a cross-departmental body comprising of top managers from Investor Relations, Corporate Sourcing, Corporate Communications, Corporate International Relations and Government Affairs, Group Human Resources Policies and Group Environmental Issues. The sustainability goals set by this board are implemented by Environmental Management and Human Resources Management. Lufthansa's sustainability commitments are officially recognized. It has been listed in the DJSI, having attained its highest ranking in 2008, lagging just behind Air France-KLM. Lufthansa is represented in other indices such as FTSE4GOOD, Ethibel and ASPI, and signed the UN Global Compact in 2002. Lufthansa's CSR program focuses on socially responsible HR policy, environmental management and corporate citizenship in social and cultural issues (Ibid.).

HR policy

Lufthansa is focusing on training and education to meet ever-rising service requirements. They offer internships, apprenticeship programs, staff training and degree education at Lufthansa Business School and affiliated organizations.

Through LHBS and other universities, they offer their employees a chance to improve their competencies and even gain a bachelor's or master's degree in mechanics, aviation management, information technology or business management. Moreover, Lufthansa offers future pilots two training options; either at Lufthansa Flight Training GmbH or a dual-degree at Bremen-based pilot school and Bremen technical university. To further improve personal development, Lufthansa also offers international training and job mobility programs throughout its global network of subsidiaries (Ibid.).

Driving for equal opportunities and non-discrimination, Lufthansa strives for diversity by actively supporting and encouraging minority groups. For example, women are encouraged to advance in their careers to top level management positions, seniors are being offered life-long training and disabled people are offered mentoring to help integration into working life. In order to assure work safety, Lufthansa offers its employees health promotion, safety training and social counseling. Employees are also being frequently polled about their job satisfaction and safety issues, and asked about areas of improvement. Lufthansa promotes a healthy work-life balance by allowing employees flexible working hours, unsupervised flexi-time based on trust and services, such as day care for children, elder care and active retirement (Ibid.).

Environment

Lufthansa has set a target of reducing CO² emissions by 25% from 2006 levels by 2020. From 1991 until 2008 Lufthansa has increased its fuel efficiency by 30% and plans to reduce it by a further 8 percentage points by 2012. It aims to achieve these targets by it is investing in fleet renewal, pilot training, reducing on-board weight and optimizing aircraft loads, and by using a software that calculates

optimal flying routes, altitudes and speeds. Lufthansa is also supporting development of alternative fuels and plans to add up to 10% of organic fuel to conventional kerosene. Lufthansa is also collaborating with German Airspace Center to research ways to reduce noise caused by aircraft. Furthermore, Lufthansa provides its customers the alternative to offset their emissions. The donations provided by customers are redirected to a Swiss NGO “Myclimate”, which guarantees donations flow into projects with highest climate protection standards (Ibid.).

In order to reduce local emissions Lufthansa is partnering with other transport companies to provide customers the possibility of intermodal transport, i.e. AIRail with Deutsche Bahn which offers a discounted rail transport to and from airports in Germany. Lufthansa also offers a shuttle service, powered by alternative fuels, between Frankfurt airport and Munich airports and various cities in their vicinity. Moreover, they offer employees job tickets for public transports and encourage carpooling (Ibid.).

Lufthansa is also trying save energy at ground operations and in buildings by pursuing various initiatives. One of these is the participation in the European “Green-building Programme” by constructing the new Lufthansa Aviation Center according to the group’s standards. The new building saves 58% in heating costs and 15% in electricity, thus avoiding 12,000 tons of annual CO² emissions (Ibid.).

Social projects

In 1999, Lufthansa employees started an organization called HelpAlliance to aid people living in poverty stricken areas in the world. The organization, which runs entirely on donations from employees and customers (including bonus mile

donations), has been supporting over 60 projects such as small business start-ups, street-kid programs, and building schools, hospitals and orphanages. Their most notable project was in 2005 to help tsunami victims. Lufthansa supports this organization by providing facilities, staff and transportation. Lufthansa Cargo also founded an organization in cooperation with German physicians called "Cargo Human Care". The organization engages in medical projects mainly in Africa offering volunteer medical care and provide urgently needed supplies and medical equipment (Ibid.).

Lufthansa is also an active supporter of culture, youth and sports. They sponsor various cultural events, especially annual concerts such as Lufthansa Festival of Baroque Music in London and Lufthansa New Year's Concert. Lufthansa are also trying to introduce children to technology by supporting class trips at their facilities and offering young aviation enthusiasts the possibility of attending a summer camp called "Technology for kids, Fascination flying". Moreover, Lufthansa sponsors sports, among others the German Sports Aid Foundation and the German Olympic Sports Federation. Also, quite curiously, Lufthansa supports crane protection programs around the world. Crane of course is the bird appearing in the company's logo (Ibid.).

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Qantas

Queensland and Northern Territory Aerial Services (Qantas) was founded in the Queensland outback in 1920 and is the world's second oldest airline. The airline is Australia's largest domestic and international airline and employs approximately 35,000 people today. The Qantas group is serving 173 destinations in 42 countries on 5 continents combined with its subsidiaries. Its main business is the carriage of passengers using its two complementary airline brands Qantas and Jetstar. For the end of the financial year in June 2009 Qantas reported a net profit after tax of 123 million dollars. Qantas alone operates about 2300 flights a week on a domestic basis and 600 on an international basis. As one of the 11 OneWorld alliance partners Qantas is striving for an even more successful future including stabilizing its already existing reputation for excellence in safety, operational reliability, engineering and maintenance as well as customer service (Qantas).

CSR at Qantas

During the last years Qantas has undertaken various actions targeted at a more sustainable business and responsible behaviour. By introducing a minimization waste initiative and improved recycling facilities across the business the airline was able to contribute to responsible operations. Moreover, initiative process changes concerning the overall water consumption as well as the expansion of Qantas 'Green Team' to 950 volunteer workers show the commitment of the company to do good (Ibid.).

Various donations have been made to the community and charitable organizations to support the country by the airlines foundation and in collaboration with partners. Because carbon offsetting seems to be one of the most important issues at Qantas during the past years an offset of 300,000 tons can be seen as a major

improvement as well. Qantas will follow this path in the future to contribute even more into a responsible business (Ibid).

The Qantas Group is committed to manage its operations and growth actively and in a sustainable manner in order to reduce its environmental impact. All actions are made whilst taking concerns and interests of stakeholders into account. Focus areas appointed by Qantas are Safety & Security, People, Environment and Climate Change, Fleet and Community. They are discussed below (Ibid.).

Safety & Security

Safety is considered to be the number one priority in the Qantas Group which is reflected by safety policies, systems and procedures. The Safety, Environment and Security Committee receives regular safety measures on significant issues, analyses the key performance and updates risk management plans at all times to ensure safe business transactions. To develop preventative measures, the safety committee constantly investigates significant incidents. The improved safety management system operating today encompasses operational safety, occupational health, environment and security. A newly implemented Just Culture System provides the opportunity for employees to report on mistakes, to transmit new ideas and work together with the Qantas team to reduce the overall risks. Moreover 2,200 pilots have taken over 33,000 hours of simulation training each year. This is another contribution to the overall safety measures of Qantas (Ibid.).

People

To carry millions of passengers safely to their destination, the capacity of the working staff needs to be tapped to full potential. About 35,000 people are

nowadays employed at Qantas with an overall of 92 nationalities and 55 languages spoken. The future aim in this segment is ensuring that employees are using their full potential by equipping, encouraging and empowering them to do their best. Major focus areas are employee engagement by communicating openly and timely with the workforce, equipping people by teaching them to operate quickly and flexibly and therefore generate better work processes, and embracing diversity inside the company. Since 2007 Qantas is therefore committed to the Reconciliation Action Plan that supports the reconciliation between Aboriginal and Torres Strait Island people. To raise the awareness amongst employees, Qantas introduced an environmental improvement program called *begreen*. All actions taken by the airline are targeted to better customer service and satisfied stakeholders (Ibid.).

Environment and climate change

Qantas aims for a more sustainable business in the future. Its main goals for the environment are based on several factors. Qantas is pursuing the strategy of robust measurement and reporting of its carbon footprint, investment into new technologies and fuel efficient aircraft, focusing on fuel conservation as well as active involvement into the industry's targets to develop sustainable aviation fuels. Therefore Qantas became a member of the Sustainable Aviation Fuel User Group (SAFUG) in 2009 that is working to speed up the commercialization of sustainable fuels. Already during the years 2008 and 2009 the airline achieved 100% improvement in the area of fuel conservation (Ibid.).

Regarding the water consumption Qantas is investing into new technologies and equipment, especially in the catering area. This has led to major reductions in water usage and will lead to a wise usage of water supplies in the future. Besides the

former mentioned, Qantas also takes actions to reduce the noise and pollution created by airlines (Ibid.).

In 2007 the airline voluntarily integrated a carbon offsetting scheme, enabling customers to offset their carbon emissions by using their frequent flyer points or payments to contribute to a responsible business. Last year Qantas and Jetstar customers paid over 2 million dollars to offset their carbon emissions and about 300,000 tons of carbon emissions have been offset in 2008/2009 for ground vehicles and staff travelling. All payments due to offsetting go to Australia based greenhouse friendly projects which may include tree planting, efficiency measures and generating renewable energy. In the future Qantas will continuously work on improving the measures and contribute to the environment (Ibid.).

Fleet

Qantas strategy when it comes to its fleet incorporates various factors. Long-term improvement regarding safety measures, passenger comfort, cost, fuel efficiency, noise, emissions as well as freight capacity and range capability are the main focus areas. Over the next 10 years 160 aircraft are planned to be purchased leading to a phasing out of older models that do not fulfill the set requirements (Ibid.).

Due to better technology that incorporates fuel efficiency and lower emissions Qantas will achieve significant cost and environmental savings required to fulfill the airline's sustainability plan. Up to 20% less fuel usage and noise production can be achieved with an improved fleet (Ibid.).

Community

Qantas is a major supporting group for charitable events and organizations as well as educational, sporting and cultural endeavors in Australia's regional

communities. By making two charitable flights in the past Qantas was able to raise more than 168,000 dollars for the Royal Institute for Deaf and Blind Children and the Melbourne Royal children's hospital. Moreover, the Qantas of Youth award supports young Australian's in areas such as fashion, art and music by offering 12-month scholarships to students. With its own foundation Qantas was able to support various charitable projects with over 1 million dollars so far. The key charitable projects that are currently supported are CanTeen, CARE Australia, Mission Australia, Starlight Children's Foundation and UNICEF. Due to the company's continuous effort much more is expected in the future (Ibid.).

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